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ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2017
OF THE CONDITION AND AFFAIRS OF THE

HAP Midwest Health Plan, Inc.

| | | | | | | | | |
|---------------------------------------|---------------------------------------------|------------------|-----------------------------------------------|----------------|-----------------------------------------------------|----------|----------------------|------------|
| NAIC Group Code | 1311 | (Current Period) | 1311 | (Prior Period) | NAIC Company Code | 95814 | Employer's ID Number | 38-3123777 |
| Organized under the Laws of | Michigan | | | | State of Domicile or Port of Entry | Michigan | | |
| Country of Domicile | United States | | | | | | | |
| Licensed as business type: | Life, Accident & Health [] | | Property/Casualty [] | | Hospital, Medical & Dental Service or Indemnity [] | | | |
| | Dental Service Corporation [] | | Vision Service Corporation [] | | Health Maintenance Organization [X] | | | |
| | Other [] | | Is HMO, Federally Qualified? Yes [] No [X] | | | | | |
| Incorporated/Organized | 01/01/1994 | | Commenced Business | | 01/01/1994 | | | |
| Statutory Home Office | 2850 West Grand Blvd | | | | Detroit, MI, US 48202 | | | |
| | (Street and Number) | | | | (City or Town, State, Country and Zip Code) | | | |
| Main Administrative Office | 2850 West Grand Blvd | | | | | | | |
| | Detroit, MI, US 48202 | | | | 888-654-2200 | | | |
| | (City or Town, State, Country and Zip Code) | | | | (Area Code) (Telephone Number) | | | |
| Mail Address | PO Box 2578 | | | | Detroit, MI, US 48202 | | | |
| | (Street and Number or P.O. Box) | | | | (City or Town, State, Country and Zip Code) | | | |
| Primary Location of Books and Records | 2850 West Grand Blvd | | | | | | | |
| | Detroit, MI, US 48202 | | | | 888-654-2200 | | | |
| | (City or Town, State, Country and Zip Code) | | | | (Area Code) (Telephone Number) (Extension) | | | |
| Internet Web Site Address | www.Hap.org\midwest | | | | | | | |
| Statutory Statement Contact | Dianna L. Ronan CPA | | | | 248-443-1093 | | | |
| | (Name) | | | | (Area Code) (Telephone Number) (Extension) | | | |
| | dronan@hap.org | | | | 248-443-8610 | | | |
| | (E-Mail Address) | | | | (Fax Number) | | | |

OFFICERS

| Name | Title | Name | Title |
|-------------------------|-----------|----------------------|-----------|
| Michael Allen Genord MD | President | Richard Evan Swift # | Treasurer |
| Annmarie Erickson # | Secretary | Teresa Lynn Kline # | Chairman |

OTHER OFFICERS

| | | | |
|--|--|--|--|
| | | | |
| | | | |

DIRECTORS OR TRUSTEES

| | | | |
|----------------------|----------------------|-------------------|-------------------|
| Michael Allen Genord | Richard Evan Swift # | Teresa Lynn Kline | Mary Ann Tournoux |
| | | | |

State of Michigan.....
County of Wayne.....

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices* and *Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

| | | |
|------------------------------------------------------------------|---------------------------------|--------------------------------|
| Michael Allen Genord MD President | Richard Evan Swift Treasurer | Annmarie Erickson Secretary |
| Subscribed and sworn to before me this _____ day of _____, _____ | | |
| a. Is this an original filing? Yes [X] No [] | | |
| b. If no: | | |
| 1. State the amendment number _____ | | |
| 2. Date filed _____ | | |
| 3. Number of pages attached _____ | | |

ASSETS

| | Current Year | | | Prior Year |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------|--------------------------------------|------------------------|
| | 1 | 2 | 3 | 4 |
| | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 1. Bonds (Schedule D)..... | 0 | | 0 | 1,027,117 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | 0 | | 0 | 0 |
| 2.2 Common stocks | 0 | | 0 | 0 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$ encumbrances)..... | | | 0 | 0 |
| 4.2 Properties held for the production of income (less \$ encumbrances) | | | 0 | 0 |
| 4.3 Properties held for sale (less \$ encumbrances) | | | 0 | 0 |
| 5. Cash (\$4,408,174 , Schedule E-Part 1), cash equivalents (\$40,174,315 , Schedule E-Part 2) and short-term investments (\$1,019,138 , Schedule DA)..... | 45,601,627 | | 45,601,627 | 72,658,797 |
| 6. Contract loans (including \$ premium notes)..... | | | 0 | 0 |
| 7. Derivatives (Schedule DB)..... | 0 | | 0 | 0 |
| 8. Other invested assets (Schedule BA) | 0 | | 0 | 0 |
| 9. Receivables for securities | | | 0 | 0 |
| 10. Securities lending reinvested collateral assets (Schedule DL)..... | | | 0 | 0 |
| 11. Aggregate write-ins for invested assets | 0 | 0 | 0 | 0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 45,601,627 | 0 | 45,601,627 | 73,685,914 |
| 13. Title plants less \$ charged off (for Title insurers only)..... | | | 0 | 0 |
| 14. Investment income due and accrued | 43,016 | | 43,016 | 19,261 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 4,370,776 | | 4,370,776 | 0 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)..... | | | 0 | 0 |
| 15.3 Accrued retrospective premiums (\$) and contracts subject to redetermination (\$) | | | 0 | 0 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 1,201,632 | | 1,201,632 | 820,137 |
| 16.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| 16.3 Other amounts receivable under reinsurance contracts | | | 0 | 0 |
| 17. Amounts receivable relating to uninsured plans | | | 0 | 2,604,892 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 11,409 | | 11,409 | 572,477 |
| 18.2 Net deferred tax asset..... | 949,010 | 207,947 | 741,063 | 1,720,403 |
| 19. Guaranty funds receivable or on deposit | | | 0 | 0 |
| 20. Electronic data processing equipment and software..... | 176,441 | | 176,441 | 0 |
| 21. Furniture and equipment, including health care delivery assets (\$) | | | 0 | 0 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 23. Receivables from parent, subsidiaries and affiliates | | | 0 | 0 |
| 24. Health care (\$1,838,013) and other amounts receivable..... | 1,838,013 | | 1,838,013 | 6,006,186 |
| 25. Aggregate write-ins for other-than-invested assets | 864,111 | 23,792 | 840,319 | 0 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)..... | 55,056,035 | 231,739 | 54,824,296 | 85,429,270 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | 0 | 0 |
| 28. Total (Lines 26 and 27) | 55,056,035 | 231,739 | 54,824,296 | 85,429,270 |
| DETAILS OF WRITE-INS | | | | |
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 0 | 0 | 0 | 0 |
| 2501. Preapdi Assets..... | 23,792 | 23,792 | 0 | 0 |
| 2502. Michigan Income Tax Refund Due..... | 840,319 | | 840,319 | 0 |
| 2503. | | | 0 | 0 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 864,111 | 23,792 | 840,319 | 0 |

LIABILITIES, CAPITAL AND SURPLUS

| | Current Year | | | Prior Year |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------|------------|------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$ reinsurance ceded) | 20,497,120 | | 20,497,120 | 26,764,445 |
| 2. Accrued medical incentive pool and bonus amounts | 561,050 | | 561,050 | 1,182,069 |
| 3. Unpaid claims adjustment expenses | 625,000 | | 625,000 | 778,491 |
| 4. Aggregate health policy reserves, including the liability of \$ for medical loss ratio rebate per the Public Health Service Act..... | 3,900,211 | | 3,900,211 | 0 |
| 5. Aggregate life policy reserves | | | 0 | 0 |
| 6. Property/casualty unearned premium reserves | | | 0 | 0 |
| 7. Aggregate health claim reserves..... | | | 0 | 0 |
| 8. Premiums received in advance | 67,288 | | 67,288 | 2,470,411 |
| 9. General expenses due or accrued | 1,517,655 | | 1,517,655 | 960,680 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))..... | | | 0 | 0 |
| 10.2 Net deferred tax liability | | | 0 | 0 |
| 11. Ceded reinsurance premiums payable | | | 0 | 0 |
| 12. Amounts withheld or retained for the account of others | 107,370 | | 107,370 | 0 |
| 13. Remittances and items not allocated | | | 0 | 0 |
| 14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current) | | | 0 | 0 |
| 15. Amounts due to parent, subsidiaries and affiliates | 1,086,856 | | 1,086,856 | 26,410,120 |
| 16. Derivatives..... | | 0 | 0 | 0 |
| 17. Payable for securities | | | 0 | 0 |
| 18. Payable for securities lending | | | 0 | 0 |
| 19. Funds held under reinsurance treaties (with \$ authorized reinsurers, \$ unauthorized reinsurers and \$ certified reinsurers)..... | | | 0 | 0 |
| 20. Reinsurance in unauthorized and certified (\$) companies..... | | | 0 | 0 |
| 21. Net adjustments in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 22. Liability for amounts held under uninsured plans | | | 0 | 0 |
| 23. Aggregate write-ins for other liabilities (including \$ current) | 0 | 0 | 0 | 2,551,315 |
| 24. Total liabilities (Lines 1 to 23)..... | 28,362,550 | 0 | 28,362,550 | 61,117,531 |
| 25. Aggregate write-ins for special surplus funds | XXX | XXX | 0 | 0 |
| 26. Common capital stock | XXX | XXX | | 186,230 |
| 27. Preferred capital stock | XXX | XXX | | 0 |
| 28. Gross paid in and contributed surplus | XXX | XXX | | 33,770 |
| 29. Surplus notes | XXX | XXX | | 0 |
| 30. Aggregate write-ins for other-than-special surplus funds | XXX | XXX | 0 | 0 |
| 31. Unassigned funds (surplus) | XXX | XXX | 26,461,746 | 24,091,738 |
| 32. Less treasury stock, at cost: 32.1 shares common (value included in Line 26 \$) | XXX | XXX | | 0 |
| 32.2 shares preferred (value included in Line 27 \$) | XXX | XXX | | 0 |
| 33. Total capital and surplus (Lines 25 to 31 minus Line 32) | XXX | XXX | 26,461,746 | 24,311,738 |
| 34. Total liabilities, capital and surplus (Lines 24 and 33) | XXX | XXX | 54,824,296 | 85,429,269 |
| DETAILS OF WRITE-INS | | | | |
| 2301. Liability - State Tax Refunds..... | | | 0 | 2,551,315 |
| 2302. | | | 0 | 0 |
| 2303. | | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 0 | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | 0 | 0 | 0 | 2,551,315 |
| 2501. | XXX | XXX | | 0 |
| 2502. | XXX | XXX | | |
| 2503. | XXX | XXX | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | XXX | XXX | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | XXX | XXX | 0 | 0 |
| 3001. | XXX | XXX | | |
| 3002. | XXX | XXX | | |
| 3003. | XXX | XXX | | |
| 3098. Summary of remaining write-ins for Line 30 from overflow page | XXX | XXX | 0 | 0 |
| 3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above) | XXX | XXX | 0 | 0 |

STATEMENT OF REVENUE AND EXPENSES

| | Current Year | | Prior Year |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------|-------------|
| | 1 Uncovered | 2 Total | 3 Total |
| 1. Member Months..... | XXX | 98,573 | 96,690 |
| 2. Net premium income (including \$0 non-health premium income)..... | XXX | 115,390,447 | 122,454,548 |
| 3. Change in unearned premium reserves and reserve for rate credits | XXX | | 0 |
| 4. Fee-for-service (net of \$ medical expenses) | XXX | | 0 |
| 5. Risk revenue | XXX | | 0 |
| 6. Aggregate write-ins for other health care related revenues | XXX | (27,915) | (11,196) |
| 7. Aggregate write-ins for other non-health revenues | XXX | 0 | 0 |
| 8. Total revenues (Lines 2 to 7) | XXX | 115,362,532 | 122,443,352 |
| Hospital and Medical: | | | |
| 9. Hospital/medical benefits | | 40,271,976 | 39,105,792 |
| 10. Other professional services | | 43,223,888 | 44,829,364 |
| 11. Outside referrals | | 59,785 | 3,171,694 |
| 12. Emergency room and out-of-area | | 6,329,073 | 5,671,532 |
| 13. Prescription drugs | | 4,296,138 | 10,729,288 |
| 14. Aggregate write-ins for other hospital and medical | 0 | 0 | 0 |
| 15. Incentive pool, withhold adjustments and bonus amounts..... | | 123,000 | 519,258 |
| 16. Subtotal (Lines 9 to 15) | 0 | 94,303,860 | 104,026,928 |
| Less: | | | |
| 17. Net reinsurance recoveries | | 1,200,102 | 1,246,766 |
| 18. Total hospital and medical (Lines 16 minus 17) | 0 | 93,103,758 | 102,780,162 |
| 19. Non-health claims (net)..... | | | 0 |
| 20. Claims adjustment expenses, including \$1,817,003 cost containment expenses..... | | 3,378,126 | 3,138,286 |
| 21. General administrative expenses..... | 0 | 14,510,439 | 14,685,556 |
| 22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)..... | | 2,322,000 | 0 |
| 23. Total underwriting deductions (Lines 18 through 22) | 0 | 113,314,323 | 120,604,004 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) | XXX | 2,048,209 | 1,839,348 |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17)..... | | 285,399 | 630,159 |
| 26. Net realized capital gains (losses) less capital gains tax of \$ | | | 301,695 |
| 27. Net investment gains (losses) (Lines 25 plus 26) | 0 | 285,399 | 931,854 |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)] | | 0 | 0 |
| 29. Aggregate write-ins for other income or expenses | 0 | 0 | 30,507,300 |
| 30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)..... | XXX | 2,333,608 | 33,278,502 |
| 31. Federal and foreign income taxes incurred | XXX | 561,067 | 10,287,537 |
| 32. Net income (loss) (Lines 30 minus 31) | XXX | 1,772,541 | 22,990,965 |
| DETAILS OF WRITE-INS | | | |
| 0601. | XXX | | 0 |
| 0602. | XXX | | 0 |
| 0603. Child & Adolescent Health Center Fee..... | XXX | (27,915) | (11,196) |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | XXX | 0 | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | XXX | (27,915) | (11,196) |
| 0701. | XXX | | |
| 0702. | XXX | | |
| 0703. | XXX | | |
| 0798. Summary of remaining write-ins for Line 7 from overflow page | XXX | 0 | 0 |
| 0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) | XXX | 0 | 0 |
| 1401. | | | |
| 1402. | | | |
| 1403. | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | 0 | 0 | 0 |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | 0 | 0 | 0 |
| 2901. Membership Transfer Gain..... | | | 30,507,300 |
| 2902. | | | |
| 2903. | | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | 0 | 0 | 0 |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | 0 | 0 | 30,507,300 |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| | 1 Current Year | 2 Prior Year |
|----------------------------------------------------------------------------------------|-------------------|-----------------|
| CAPITAL & SURPLUS ACCOUNT | | |
| 33. Capital and surplus prior reporting year | 24,311,737 | 57,362,569 |
| 34. Net income or (loss) from Line 32 | 1,772,541 | 22,990,965 |
| 35. Change in valuation basis of aggregate policy and claim reserves | | 0 |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$ | | 0 |
| 37. Change in net unrealized foreign exchange capital gain or (loss) | | 0 |
| 38. Change in net deferred income tax | (1,256,560) | (1,251,845) |
| 39. Change in nonadmitted assets | 1,634,028 | 128,235 |
| 40. Change in unauthorized and certified reinsurance | 0 | 0 |
| 41. Change in treasury stock | 0 | 0 |
| 42. Change in surplus notes | 0 | 0 |
| 43. Cumulative effect of changes in accounting principles | | 0 |
| 44. Capital Changes: | | |
| 44.1 Paid in | (186,230) | 0 |
| 44.2 Transferred from surplus (Stock Dividend) | | 0 |
| 44.3 Transferred to surplus | 186,230 | 0 |
| 45. Surplus adjustments: | | |
| 45.1 Paid in | (33,770) | 0 |
| 45.2 Transferred to capital (Stock Dividend) | 0 | 0 |
| 45.3 Transferred from capital | 33,770 | 0 |
| 46. Dividends to stockholders | | (54,700,000) |
| 47. Aggregate write-ins for gains or (losses) in surplus | 0 | (218,187) |
| 48. Net change in capital and surplus (Lines 34 to 47) | 2,150,009 | (33,050,832) |
| 49. Capital and surplus end of reporting year (Line 33 plus 48) | 26,461,746 | 24,311,737 |
| DETAILS OF WRITE-INS | | |
| 4701. | | 0 |
| 4702. Correction of Immaterial Error - Tax..... | 0 | (218,187) |
| 4703. | | 0 |
| 4798. Summary of remaining write-ins for Line 47 from overflow page | 0 | 0 |
| 4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above) | 0 | (218,187) |

CASH FLOW

| Cash from Operations | 1 | 2 |
|-----------------------------------------------------------------------------------------------------------|--------------|--------------|
| | Current Year | Prior Year |
| 1. Premiums collected net of reinsurance | 108,616,548 | 118,565,615 |
| 2. Net investment income | 263,760 | 1,017,259 |
| 3. Miscellaneous income | (27,915) | (11,196) |
| 4. Total (Lines 1 through 3) | 108,852,393 | 119,571,678 |
| 5. Benefit and loss related payments | 100,373,597 | 151,472,790 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 17,485,080 | 22,471,155 |
| 8. Dividends paid to policyholders | | 0 |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses) | 0 | 9,700,000 |
| 10. Total (Lines 5 through 9) | 117,858,677 | 183,643,945 |
| 11. Net cash from operations (Line 4 minus Line 10) | (9,006,284) | (64,072,267) |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | 1,025,000 | 48,179,688 |
| 12.2 Stocks | 0 | 0 |
| 12.3 Mortgage loans | 0 | 0 |
| 12.4 Real estate | 0 | 0 |
| 12.5 Other invested assets | 0 | 0 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 0 | 0 |
| 12.7 Miscellaneous proceeds | 0 | 0 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 1,025,000 | 48,179,688 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | 0 | 12,958,567 |
| 13.2 Stocks | 0 | 0 |
| 13.3 Mortgage loans | 0 | 0 |
| 13.4 Real estate | 0 | 0 |
| 13.5 Other invested assets | 0 | 0 |
| 13.6 Miscellaneous applications | 0 | 829,287 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 0 | 13,787,854 |
| 14. Net increase (decrease) in contract loans and premium notes | 0 | 0 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) | 1,025,000 | 34,391,834 |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes | 0 | 0 |
| 16.2 Capital and paid in surplus, less treasury stock | | 0 |
| 16.3 Borrowed funds | 0 | 0 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | 0 |
| 16.5 Dividends to stockholders | 0 | 30,000,000 |
| 16.6 Other cash provided (applied) | (19,075,885) | 5,916,999 |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | (19,075,885) | (24,083,001) |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | (27,057,169) | (53,763,434) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 72,658,796 | 126,422,230 |
| 19.2 End of year (Line 18 plus Line 19.1) | 45,601,627 | 72,658,796 |

ANNUAL STATEMENT FOR THE YEAR 2017 OF THE HAP Midwest Health Plan, Inc.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-------------------------------------------------------------------------------------------|-------------|---------------------------------------------|------------------------|----------------|----------------|------------------------------------------------|----------------------------|--------------------------|--------------|---------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Net premium income | 115,390,447 | 0 | 0 | 0 | 0 | 0 | 104,883,276 | 10,507,171 | 0 | 0 |
| 2. Change in unearned premium reserves and reserve for rate credit | 0 | | | | | | | | | |
| 3. Fee-for-service (net of \$ medical expenses) | 0 | | | | | | | | | XXX |
| 4. Risk revenue..... | 0 | | | | | | | | | XXX |
| 5. Aggregate write-ins for other health care related revenues..... | (27,915) | 0 | 0 | 0 | 0 | 0 | 0 | (27,915) | 0 | XXX |
| 6. Aggregate write-ins for other non-health care related revenues | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 7. Total revenues (Lines 1 to 6) | 115,362,532 | 0 | 0 | 0 | 0 | 0 | 104,883,276 | 10,479,256 | 0 | 0 |
| 8. Hospital/medical benefits | 40,271,976 | | | | | | 39,594,505 | 677,471 | | XXX |
| 9. Other professional services | 43,223,888 | | | | | | 42,496,759 | 727,129 | | XXX |
| 10. Outside referrals | 59,785 | | | | | | 58,779 | 1,006 | | XXX |
| 11. Emergency room and out-of-area | 6,329,073 | | | | | | 6,222,603 | 106,470 | | XXX |
| 12. Prescription drugs | 4,296,138 | | | | | | 3,613,323 | 682,815 | | XXX |
| 13. Aggregate write-ins for other hospital and medical..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 14. Incentive pool, withhold adjustments and bonus amounts..... | 123,000 | | | | | | 50,379 | 72,621 | | XXX |
| 15. Subtotal (Lines 8 to 14) | 94,303,860 | 0 | 0 | 0 | 0 | 0 | 92,036,348 | 2,267,512 | 0 | XXX |
| 16. Net reinsurance recoveries | 1,200,102 | | | | | | 1,104,617 | 95,485 | | XXX |
| 17. Total hospital and medical (Lines 15 minus 16) | 93,103,758 | 0 | 0 | 0 | 0 | 0 | 90,931,731 | 2,172,027 | 0 | XXX |
| 18. Non-health claims (net) | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 19. Claims adjustment expenses including \$1,817,003 cost containment expenses..... | 3,378,126 | | | | | | 2,094,438 | 1,283,688 | | |
| 20. General administrative expenses | 14,510,439 | | | | | | 8,616,807 | 5,893,632 | | |
| 21. Increase in reserves for accident and health contracts | 2,322,000 | | | | | | 2,137,252 | 184,748 | | XXX |
| 22. Increase in reserves for life contracts..... | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 23. Total underwriting deductions (Lines 17 to 22) | 113,314,323 | 0 | 0 | 0 | 0 | 0 | 103,780,228 | 9,534,095 | 0 | 0 |
| 24. Net underwriting gain or (loss) (Line 7 minus Line 23) | 2,048,209 | 0 | 0 | 0 | 0 | 0 | 1,103,048 | 945,161 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 0501. Child & Adolescent Health Center Fee..... | (27,915) | | | | | | | (27,915) | | XXX |
| 0502. | | | | | | | | | | XXX |
| 0503. | | | | | | | | | | XXX |
| 0598. Summary of remaining write-ins for Line 5 from overflow page..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) | (27,915) | 0 | 0 | 0 | 0 | 0 | 0 | (27,915) | 0 | XXX |
| 0601. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0602. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0603. | | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page..... | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | 0 | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | 0 |
| 1301. | | | | | | | | | | XXX |
| 1302. | | | | | | | | | | XXX |
| 1303. | | | | | | | | | | XXX |
| 1398. Summary of remaining write-ins for Line 13 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |
| 1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | XXX |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

| | 1 | 2 | 3 | 4 |
|-------------------------------------------------|-----------------|---------------------|-------------------|----------------------------------|
| Line of Business | Direct Business | Reinsurance Assumed | Reinsurance Ceded | Net Premium Income (Cols. 1+2-3) |
| 1. Comprehensive (hospital and medical) | | | | 0 |
| 2. Medicare Supplement | | | | 0 |
| 3. Dental only..... | | | | 0 |
| 4. Vision only..... | | | | 0 |
| 5. Federal Employees Health Benefits Plan | | | | 0 |
| 6. Title XVIII - Medicare | 105,714,505 | | 831,229 | 104,883,276 |
| 7. Title XIX - Medicaid..... | 10,667,530 | | 160,359 | 10,507,171 |
| 8. Other health..... | | | | 0 |
| 9. Health subtotal (Lines 1 through 8) | 116,382,035 | 0 | 991,588 | 115,390,447 |
| 10. Life | | | | 0 |
| 11. Property/casualty..... | | | | 0 |
| 12. Totals (Lines 9 to 11) | 116,382,035 | 0 | 991,588 | 115,390,447 |

ANNUAL STATEMENT FOR THE YEAR 2017 OF THE HAP Midwest Health Plan, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------------------------------------------------------|-------------|------------------------------------------|------------------------|----------------|----------------|-------------------------------------------------|-------------------------|-----------------------|--------------|----------------------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non- Health |
| 1. Payments during the year: | | | | | | | | | | |
| 1.1 Direct | 100,347,175 | | | | | | 89,874,068 | 10,473,107 | | |
| 1.2 Reinsurance assumed | 0 | | | | | | | | | |
| 1.3 Reinsurance ceded | 0 | | | | | | | | | |
| 1.4 Net | 100,347,175 | 0 | 0 | 0 | 0 | 0 | 89,874,068 | 10,473,107 | 0 | 0 |
| 2. Paid medical incentive pools and bonuses | 744,018 | | | | | | 665,078 | 78,940 | | |
| 3. Claim liability December 31, current year from Part 2A: | | | | | | | | | | |
| 3.1 Direct | 20,497,120 | 0 | 0 | 0 | 0 | 0 | 17,739,555 | 2,757,565 | 0 | 0 |
| 3.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.4 Net | 20,497,120 | 0 | 0 | 0 | 0 | 0 | 17,739,555 | 2,757,565 | 0 | 0 |
| 4. Claim reserve December 31, current year from Part 2D: | | | | | | | | | | |
| 4.1 Direct | 0 | | | | | | | | | |
| 4.2 Reinsurance assumed | 0 | | | | | | | | | |
| 4.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Accrued medical incentive pools and bonuses, current year | 561,050 | | | | | | 467,370 | 93,680 | | |
| 6. Net healthcare receivables (a)..... | (101,010) | | | | | | (84,144) | (16,866) | | |
| 7. Amounts recoverable from reinsurers December 31, current year | 2,839,032 | | | | | | 2,638,391 | 200,641 | | |
| 8. Claim liability December 31, prior year from Part 2A: | | | | | | | | | | |
| 8.1 Direct | 26,764,445 | 22,380 | 0 | 0 | 0 | 0 | 15,154,170 | 11,587,895 | 0 | 0 |
| 8.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8.4 Net | 26,764,445 | 22,380 | 0 | 0 | 0 | 0 | 15,154,170 | 11,587,895 | 0 | 0 |
| 9. Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | |
| 9.1 Direct | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.3 Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Accrued medical incentive pools and bonuses, prior year | 1,182,069 | 0 | 0 | 0 | 0 | 0 | 1,182,069 | 0 | 0 | 0 |
| 11. Amounts recoverable from reinsurers December 31, prior year | 1,638,930 | 0 | 0 | 0 | 0 | 0 | 181,989 | 1,456,941 | 0 | 0 |
| 12. Incurred benefits: | | | | | | | | | | |
| 12.1 Direct | 94,180,860 | (22,380) | 0 | 0 | 0 | 0 | 92,543,597 | 1,659,643 | 0 | 0 |
| 12.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12.3 Reinsurance ceded | 1,200,102 | 0 | 0 | 0 | 0 | 0 | 2,456,402 | (1,256,300) | 0 | 0 |
| 12.4 Net | 92,980,758 | (22,380) | 0 | 0 | 0 | 0 | 90,087,195 | 2,915,943 | 0 | 0 |
| 13. Incurred medical incentive pools and bonuses | 122,999 | 0 | 0 | 0 | 0 | 0 | (49,621) | 172,620 | 0 | 0 |

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-------------------------------------------------------|------------|--------------------------------------------|------------------------|----------------|----------------|-------------------------------------------------|-------------------------|-----------------------|-----------------|---------------------|
| | Total | Comprehensive (Hospital and Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Reported in Process of Adjustment: | | | | | | | | | | |
| 1.1. Direct | 3,716,078 | | | | | | 2,473,179 | 1,242,899 | | |
| 1.2. Reinsurance assumed | 0 | | | | | | | | | |
| 1.3. Reinsurance ceded | 0 | | | | | | | | | |
| 1.4. Net | 3,716,078 | 0 | 0 | 0 | 0 | 0 | 2,473,179 | 1,242,899 | 0 | 0 |
| 2. Incurred but Unreported: | | | | | | | | | | |
| 2.1. Direct | 16,781,042 | | | | | | 15,266,376 | 1,514,666 | | |
| 2.2. Reinsurance assumed | 0 | | | | | | | | | |
| 2.3. Reinsurance ceded | 0 | | | | | | | | | |
| 2.4. Net | 16,781,042 | 0 | 0 | 0 | 0 | 0 | 15,266,376 | 1,514,666 | 0 | 0 |
| 3. Amounts Withheld from Paid Claims and Capitations: | | | | | | | | | | |
| 3.1. Direct | 0 | | | | | | | | | |
| 3.2. Reinsurance assumed | 0 | | | | | | | | | |
| 3.3. Reinsurance ceded | 0 | | | | | | | | | |
| 3.4. Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. TOTALS: | | | | | | | | | | |
| 4.1. Direct | 20,497,120 | 0 | 0 | 0 | 0 | 0 | 17,739,555 | 2,757,565 | 0 | 0 |
| 4.2. Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.3. Reinsurance ceded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.4. Net | 20,497,120 | 0 | 0 | 0 | 0 | 0 | 17,739,555 | 2,757,565 | 0 | 0 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

| Line of Business | Claims Paid During the Year | | Claim Reserve and Claim Liability December 31 of Current Year | | 5 Claims Incurred in Prior Years (Columns 1 + 3) | 6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
|-----------------------------------------------------|----------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------|
| | 1 On Claims Incurred Prior to January 1 of Current Year | 2 On Claims Incurred During the Year | 3 On Claims Unpaid December 31 of Prior Year | 4 On Claims Incurred During the Year | | |
| 1. Comprehensive (hospital and medical) | | | | | 0 | 21,111 |
| 2. Medicare Supplement | | | | | 0 | 0 |
| 3. Dental Only..... | | | | | 0 | 0 |
| 4. Vision Only..... | | | | | 0 | 0 |
| 5. Federal Employees Health Benefits Plan | | | | | 0 | 0 |
| 6. Title XVIII - Medicare | 15,781,077 | 72,865,227 | 456,748 | 17,282,806 | 16,237,825 | 14,630,438 |
| 7. Title XIX - Medicaid..... | 1,887,360 | 8,714,419 | 394,382 | 2,363,184 | 2,281,742 | 12,112,895 |
| 8. Other health | | | | | 0 | 0 |
| 9. Health subtotal (Lines 1 to 8)..... | 17,668,437 | 81,579,646 | 851,130 | 19,645,990 | 18,519,567 | 26,764,444 |
| 10. Healthcare receivables (a)..... | | | | | 0 | 0 |
| 11. Other non-health..... | | | | | 0 | 0 |
| 12. Medical incentive pools and bonus amounts | 744,019 | | 438,051 | 123,000 | 1,182,070 | 1,182,070 |
| 13. Totals (Lines 9-10+11+12) | 18,412,456 | 81,579,646 | 1,289,181 | 19,768,990 | 19,701,637 | 27,946,514 |

(a) Excludes \$0 loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2017 OF THE HAP Midwest Health Plan, Inc.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2013 | 2 2014 | 3 2015 | 4 2016 | 5 2017 |
| 1. Prior | 377 | 378 | 378 | 378 | 378 |
| 2. 2013 | 628 | 799 | 799 | 799 | 799 |
| 3. 2014 | XXX | 1,500 | 1,707 | 1,707 | 1,707 |
| 4. 2015 | XXX | XXX | 1,992 | 1,992 | 1,992 |
| 5. 2016 | XXX | XXX | XXX | .0 | .0 |
| 6. 2017 | XXX | XXX | XXX | XXX | |

Section B – Incurred Health Claims - Hospital and Medical

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| | 1 2013 | 2 2014 | 3 2015 | 4 2016 | 5 2017 |
| 1. Prior | 386 | 378 | 378 | 378 | 378 |
| 2. 2013 | 912 | 810 | 800 | 799 | 799 |
| 3. 2014 | XXX | 1,916 | 1,725 | 1,707 | 1,707 |
| 4. 2015 | XXX | XXX | 2,496 | 1,992 | 1,992 |
| 5. 2016 | XXX | XXX | XXX | .0 | .0 |
| 6. 2017 | XXX | XXX | XXX | XXX | |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 (Col. 3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 (Col. 5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 (Col. 9/1) Percent |
|--------------------------------------------------------------------|--------------------------|--------------------------|--------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------|
| 1. 2013..... | 1,481 | 799 | | 0.0 | 799 | 54.0 | | | 799 | 54.0 |
| 2. 2014..... | 3,246 | 1,707 | | 0.0 | 1,707 | 52.6 | | | 1,707 | 52.6 |
| 3. 2015..... | 3,351 | 1,992 | | 0.0 | 1,992 | 59.4 | | | 1,992 | 59.4 |
| 4. 2016..... | .0 | .0 | | 0.0 | .0 | 0.0 | | | .0 | 0.0 |
| 5. 2017 | | 0 | | 0.0 | 0 | 0.0 | | | 0 | 0.0 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Medicare

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2013 | 2 2014 | 3 2015 | 4 2016 | 5 2017 |
| 1. Prior | 6,535 | 6,566 | 6,566 | 6,566 | 6,566 |
| 2. 2013 | 7,296 | 8,485 | 8,485 | 8,485 | 8,485 |
| 3. 2014 | XXX | 10,086 | 11,800 | 11,800 | 11,800 |
| 4. 2015 | XXX | XXX | 33,882 | 33,882 | 36,058 |
| 5. 2016 | XXX | XXX | XXX | 47,108 | 61,544 |
| 6. 2017 | XXX | XXX | XXX | XXX | 72,865 |

Section B - Incurred Health Claims - Medicare

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| | 1 2013 | 2 2014 | 3 2015 | 4 2016 | 5 2017 |
| 1. Prior | 6,582 | 6,566 | 6,566 | 6,566 | 6,566 |
| 2. 2013 | 8,908 | 8,606 | 8,485 | 8,485 | 8,485 |
| 3. 2014 | XXX | 12,540 | 11,861 | 11,800 | 11,800 |
| 4. 2015 | XXX | XXX | 49,591 | 33,882 | 36,044 |
| 5. 2016 | XXX | XXX | XXX | 47,108 | 63,371 |
| 6. 2017 | XXX | XXX | XXX | XXX | 73,118 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 (Col. 3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 (Col. 5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 (Col. 9/1) Percent |
|--------------------------------------------------------------------|--------------------------|--------------------------|--------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------|
| 1. 2013..... | 9,317 | 8,485 | | 0.0 | 8,485 | 91.1 | | | 8,485 | 91.1 |
| 2. 2014..... | 12,741 | 11,800 | | 0.0 | 11,800 | 92.6 | | | 11,800 | 92.6 |
| 3. 2015..... | 54,709 | 36,058 | | 0.0 | 36,058 | 65.9 | | | 36,058 | 65.9 |
| 4. 2016..... | 82,256 | 61,544 | | 0.0 | 61,544 | 74.8 | 5,881 | 175 | 67,600 | 82.2 |
| 5. 2017 | 104,883 | 72,865 | | 0.0 | 72,865 | 69.5 | 6,635 | 197 | 79,697 | 76.0 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2013 | 2 2014 | 3 2015 | 4 2016 | 5 2017 |
| 1. Prior | 263,231 | 263,225 | 263,216 | 263,216 | 263,216 |
| 2. 2013 | 217,024 | 250,366 | 250,623 | 250,623 | 250,623 |
| 3. 2014 | XXX | 247,011 | 284,691 | 284,691 | 284,691 |
| 4. 2015 | XXX | XXX | 305,375 | 305,375 | 305,631 |
| 5. 2016 | XXX | XXX | XXX | 22,284 | 23,829 |
| 6. 2017 | XXX | XXX | XXX | XXX | 8,714 |

Section B – Incurred Health Claims - Title XIX Medicaid

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| | 1 2013 | 2 2014 | 3 2015 | 4 2016 | 5 2017 |
| 1. Prior | (671,796) | (672,473) | 263,216 | 263,216 | 263,216 |
| 2. 2013 | 252,338 | 251,134 | 250,623 | 250,623 | 250,623 |
| 3. 2014 | XXX | 295,604 | 285,040 | 284,691 | 284,691 |
| 4. 2015 | XXX | XXX | 365,766 | 305,375 | 303,679 |
| 5. 2016 | XXX | XXX | XXX | 22,284 | 22,775 |
| 6. 2017 | XXX | XXX | XXX | XXX | 2,767 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 (Col. 3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 (Col. 5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 (Col. 9/1) Percent |
|--------------------------------------------------------------------|--------------------------|--------------------------|--------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------|
| 1. 2013..... | 283,782 | 250,623 | | 0.0 | 250,623 | 88.3 | | | 250,623 | 88.3 |
| 2. 2014..... | 367,509 | 284,691 | | 0.0 | 284,691 | 77.5 | | | 284,691 | 77.5 |
| 3. 2015..... | 446,842 | 305,631 | | 0.0 | 305,631 | 68.4 | | | 305,631 | 68.4 |
| 4. 2016..... | 36,198 | 23,829 | | 0.0 | 23,829 | 65.8 | 650 | 19 | 24,498 | 67.7 |
| 5. 2017 | 10,507 | 8,714 | | 0.0 | 8,714 | 82.9 | 7,892 | 234 | 16,840 | 160.3 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Grand Total

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2013 | 2 2014 | 3 2015 | 4 2016 | 5 2017 |
| 1. Prior | 270,143 | 270,169 | 270,160 | 270,160 | 270,160 |
| 2. 2013 | 224,948 | 259,650 | 259,907 | 259,907 | 259,907 |
| 3. 2014 | XXX | 258,597 | 298,198 | 298,198 | 298,198 |
| 4. 2015 | XXX | XXX | 341,249 | 341,249 | 343,681 |
| 5. 2016 | XXX | XXX | XXX | 69,392 | 85,373 |
| 6. 2017 | XXX | XXX | XXX | XXX | 81,579 |

Section B - Incurred Health Claims - Grand Total

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| | 1 2013 | 2 2014 | 3 2015 | 4 2016 | 5 2017 |
| 1. Prior | (664,828) | (665,529) | 270,160 | 270,160 | 270,160 |
| 2. 2013 | 262,158 | 260,550 | 259,908 | 259,907 | 259,907 |
| 3. 2014 | XXX | 310,060 | 298,626 | 298,198 | 298,198 |
| 4. 2015 | XXX | XXX | 417,853 | 341,249 | 341,715 |
| 5. 2016 | XXX | XXX | XXX | 69,392 | 86,146 |
| 6. 2017 | XXX | XXX | XXX | XXX | 75,885 |

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

| Years in which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claims Payments | 3 Claim Adjustment Expense Payments | 4 (Col. 3/2) Percent | 5 Claim and Claim Adjustment Expense Payments (Col. 2+3) | 6 (Col. 5/1) Percent | 7 Claims Unpaid | 8 Unpaid Claims Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8) | 10 (Col. 9/1) Percent |
|--------------------------------------------------------------------|--------------------------|--------------------------|--------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------|--------------------------------|------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------|
| 1. 2013 | 294,580 | 259,907 | 0 | 0.0 | 259,907 | 88.2 | 0 | 0 | 259,907 | 88.2 |
| 2. 2014 | 383,496 | 298,198 | 0 | 0.0 | 298,198 | 77.8 | 0 | 0 | 298,198 | 77.8 |
| 3. 2015 | 504,902 | 343,681 | 0 | 0.0 | 343,681 | 68.1 | 0 | 0 | 343,681 | 68.1 |
| 4. 2016 | 118,454 | 85,373 | 0 | 0.0 | 85,373 | 72.1 | 6,531 | 194 | 92,098 | 77.8 |
| 5. 2017 | 115,390 | 81,579 | 0 | 0.0 | 81,579 | 70.7 | 14,527 | 431 | 96,537 | 83.7 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-------------------------------------------------------------------------------------------------------------|-----------|------------------------------------------|------------------------|-------------|-------------|------------------------------------------------|-------------------------|-----------------------|-------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| 1. Unearned premium reserves..... | .0 | | | | | | | | |
| 2. Additional policy reserves (a)..... | 2,322,000 | | | | | | 2,137,252 | 184,748 | |
| 3. Reserve for future contingent benefits..... | .0 | | | | | | | | |
| 4. Reserve for rate credits or experience rating refunds (including \$ for investment income)..... | 1,578,211 | | | | | | 1,578,211 | | |
| 5. Aggregate write-ins for other policy reserves | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 6. Totals (gross) | 3,900,211 | .0 | .0 | .0 | .0 | .0 | 3,715,463 | 184,748 | .0 |
| 7. Reinsurance ceded | .0 | | | | | | | | |
| 8. Totals (Net) (Page 3, Line 4) | 3,900,211 | 0 | 0 | 0 | 0 | 0 | 3,715,463 | 184,748 | 0 |
| 9. Present value of amounts not yet due on claims | .0 | | | | | | | | |
| 10. Reserve for future contingent benefits | .0 | | | | | | | | |
| 11. Aggregate write-ins for other claim reserves | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 12. Totals (gross) | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 13. Reinsurance ceded | .0 | | | | | | | | |
| 14. Totals (Net) (Page 3, Line 7) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 0501. | | | | | | | | | |
| 0502. | | | | | | | | | |
| 0503. | | | | | | | | | |
| 0598. Summary of remaining write-ins for Line 5 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1101. | | | | | | | | | |
| 1102. | | | | | | | | | |
| 1103. | | | | | | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(a) Includes \$2,322,000 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

| | Claim Adjustment Expenses | | 3 General Administrative Expenses | 4 Investment Expenses | 5 Total |
|---------------------------------------------------------------------------|--------------------------------------|--------------------------------------------|--------------------------------------------|-----------------------------|----------------|
| | 1 Cost Containment Expenses | 2 Other Claim Adjustment Expenses | | | |
| 1. Rent (\$for occupancy of own building) | | 336,789 | 716,702 | | 1,053,491 |
| 2. Salaries, wages and other benefits | 1,697,156 | 73,880 | 6,654,800 | | 8,425,836 |
| 3. Commissions (less \$ceded plus \$assumed) | | | | | 0 |
| 4. Legal fees and expenses | | | | | 0 |
| 5. Certifications and accreditation fees | | | | | 0 |
| 6. Auditing, actuarial and other consulting services | | 157,536 | 480,502 | | 638,038 |
| 7. Traveling expenses | 3,307 | | 28,129 | | 31,436 |
| 8. Marketing and advertising | 7,761 | 265 | 266,007 | | 274,033 |
| 9. Postage, express and telephone | | 23,295 | 71,081 | | 94,376 |
| 10. Printing and office supplies | | 30,590 | 102,410 | | 133,000 |
| 11. Occupancy, depreciation and amortization | | | | | 0 |
| 12. Equipment | 1,014 | 3,579 | 31,196 | | 35,789 |
| 13. Cost or depreciation of EDP equipment and software | | 126,693 | 952,585 | | 1,079,278 |
| 14. Outsourced services including EDP, claims, and other services | | 661,783 | 7,272,695 | | 7,934,478 |
| 15. Boards, bureaus and association fees | | 9,067 | 73,358 | | 82,425 |
| 16. Insurance, except on real estate | | 2,971 | 12,168 | | 15,139 |
| 17. Collection and bank service charges | | | | 16,488 | 16,488 |
| 18. Group service and administration fees | | | | | 0 |
| 19. Reimbursements by uninsured plans | | | | | 0 |
| 20. Reimbursements from fiscal intermediaries | | | | | 0 |
| 21. Real estate expenses | | | 2,326 | | 2,326 |
| 22. Real estate taxes | | | | | 0 |
| 23. Taxes, licenses and fees: | | | | | |
| 23.1 State and local insurance taxes | | | (2,434,399) | | (2,434,399) |
| 23.2 State premium taxes | | | | | 0 |
| 23.3 Regulatory authority licenses and fees | | | | | 0 |
| 23.4 Payroll taxes | 107,765 | 133,001 | 249,074 | | 489,840 |
| 23.5 Other (excluding federal income and real estate taxes) | | | | | 0 |
| 24. Investment expenses not included elsewhere | | | | | 0 |
| 25. Aggregate write-ins for expenses | 0 | 1,674 | 31,805 | 0 | 33,479 |
| 26. Total expenses incurred (Lines 1 to 25) | 1,817,003 | 1,561,123 | 14,510,439 | 16,488 | (a) 17,905,053 |
| 27. Less expenses unpaid December 31, current year | 0 | 625,000 | 1,517,655 | | 2,142,655 |
| 28. Add expenses unpaid December 31, prior year | 0 | 778,491 | 960,680 | 0 | 1,739,171 |
| 29. Amounts receivable relating to uninsured plans, prior year | 0 | 0 | 0 | 0 | 0 |
| 30. Amounts receivable relating to uninsured plans, current year | | | | | 0 |
| 31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) | 1,817,003 | 1,714,614 | 13,953,464 | 16,488 | 17,501,569 |
| DETAILS OF WRITE-INS | | | | | |
| 2501. Misc. Expenses..... | | 1,674 | 31,805 | | 33,479 |
| 2502. | | | | | |
| 2503. | | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 | 0 |
| 2599. Totals (Line 2501 through 2503 plus 2598) (Line 25 above) | 0 | 1,674 | 31,805 | 0 | 33,479 |

(a) Includes management fees of \$2,786,269 to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | | 1 | 2 |
|----------------------|---------------------------------------------------------------------------|--------------------------|-----------------------|
| | | Collected During Year | Earned During Year |
| 1. | U.S. Government bonds | (a).....35,007 |35,906 |
| 1.1 | Bonds exempt from U.S. tax | (a)..... | ..... |
| 1.2 | Other bonds (unaffiliated) | (a)..... | ..... |
| 1.3 | Bonds of affiliates | (a).....0 | ..... |
| 2.1 | Preferred stocks (unaffiliated) | (b).....0 | ..... |
| 2.11 | Preferred stocks of affiliates | (b).....0 | ..... |
| 2.2 | Common stocks (unaffiliated) |0 | ..... |
| 2.21 | Common stocks of affiliates |0 | ..... |
| 3. | Mortgage loans | (c)..... | ..... |
| 4. | Real estate | (d)..... | ..... |
| 5. | Contract loans ..... | ..... | ..... |
| 6. | Cash, cash equivalents and short-term investments | (e).....241,230 |265,981 |
| 7. | Derivative instruments | (f)..... | ..... |
| 8. | Other invested assets ..... | ..... | ..... |
| 9. | Aggregate write-ins for investment income |0 |0 |
| 10. | Total gross investment income | 276,237 | 301,887 |
| 11. | Investment expenses | | (g).....16,488 |
| 12. | Investment taxes, licenses and fees, excluding federal income taxes | | (g)..... |
| 13. | Interest expense | | (h)..... |
| 14. | Depreciation on real estate and other invested assets | | (i)..... |
| 15. | Aggregate write-ins for deductions from investment income | |0 |
| 16. | Total deductions (Lines 11 through 15) | |16,488 |
| 17. | Net investment income (Line 10 minus Line 16) | | 285,399 |
| DETAILS OF WRITE-INS | | | |
| 0901. | ..... | .....0 |0 |
| 0902. | ..... | ..... | ..... |
| 0903. | ..... | ..... | ..... |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page |0 |0 |
| 0999. | Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) | 0 | 0 |
| 1501. | ..... |  |  |
| 1502. | ..... |  |  |
| 1503. | ..... |  |  |
| 1598. | Summary of remaining write-ins for Line 15 from overflow page | |0 |
| 1599. | Totals (Lines 1501 through 1503 plus 1598) (Line 15 above) | | 0 |

(a) Includes \$0 accrual of discount less \$2,117 amortization of premium and less \$0 paid for accrued interest on purchases.
(b) Includes \$0 accrual of discount less \$ amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$704 accrual of discount less \$ amortization of premium and less \$4,991 paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$16,488 investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | | 1 | 2 | 3 | 4 | 5 |
|----------------------|--------------------------------------------------------------------|----------------------------------------------------|----------------------------------|----------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------|
| | | Realized Gain (Loss) On Sales or Maturity | Other Realized Adjustments | Total Realized Capital Gain (Loss) (Columns 1 + 2) | Change in Unrealized Capital Gain (Loss) | Change in Unrealized Foreign Exchange Capital Gain (Loss) |
| 1. | U.S. Government bonds | | |0 | | |
| 1.1 | Bonds exempt from U.S. tax | | |0 | | |
| 1.2 | Other bonds (unaffiliated) | | |0 | | |
| 1.3 | Bonds of affiliates |0 |0 |0 |0 |0 |
| 2.1 | Preferred stocks (unaffiliated) |0 |0 |0 |0 |0 |
| 2.11 | Preferred stocks of affiliates |0 |0 |0 |0 |0 |
| 2.2 | Common stocks (unaffiliated) |0 |0 |0 |0 |0 |
| 2.21 | Common stocks of affiliates |0 |0 |0 |0 |0 |
| 3. | Mortgage loans |0 |0 |0 |0 |0 |
| 4. | Real estate |0 |0 |0 | |0 |
| 5. | Contract loans | | |0 | | |
| 6. | Cash, cash equivalents and short-term investments | | |0 |0 |0 |
| 7. | Derivative instruments | | |0 | | |
| 8. | Other invested assets |0 |0 |0 |0 |0 |
| 9. | Aggregate write-ins for capital gains (losses) |0 |0 |0 |0 |0 |
| 10. | Total capital gains (losses) | 0 | 0 | 0 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | |
| 0901. | ..... |  |  |  |  |  |
| 0902. | ..... |  |  |  |  |  |
| 0903. | ..... |  |  |  |  |  |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page |0 |0 |0 |0 |0 |
| 0999. | Totals (Lines 0901 through 0903 plus 0998) (Line 9 above) | 0 | 0 | 0 | 0 | 0 |

EXHIBIT OF NONADMITTED ASSETS

| | 1 | 2 | 3 |
|------------------------------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------------|
| | Current Year Total Nonadmitted Assets | Prior Year Total Nonadmitted Assets | Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
| 1. Bonds (Schedule D)..... | 0 | 0 | 0 |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks | 0 | 0 | 0 |
| 2.2 Common stocks | 0 | 0 | 0 |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens | 0 | 0 | 0 |
| 3.2 Other than first liens | 0 | 0 | 0 |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company | 0 | 0 | 0 |
| 4.2 Properties held for the production of income..... | 0 | 0 | 0 |
| 4.3 Properties held for sale | 0 | 0 | 0 |
| 5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)..... | 0 | 0 | 0 |
| 6. Contract loans | 0 | 0 | 0 |
| 7. Derivatives (Schedule DB)..... | 0 | 0 | 0 |
| 8. Other invested assets (Schedule BA) | 0 | 0 | 0 |
| 9. Receivables for securities | 0 | 0 | 0 |
| 10. Securities lending reinvested collateral assets (Schedule DL)..... | 0 | 0 | 0 |
| 11. Aggregate write-ins for invested assets | 0 | 0 | 0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 0 | 0 | 0 |
| 13. Title plants (for Title insurers only)..... | 0 | 0 | 0 |
| 14. Investment income due and accrued | 0 | 0 | 0 |
| 15. Premiums and considerations: | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection..... | 0 | 0 | 0 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due..... | 0 | 0 | 0 |
| 15.3 Accrued retrospective premiums and contracts subject to redetermination | 0 | 0 | 0 |
| 16. Reinsurance: | | | |
| 16.1 Amounts recoverable from reinsurers | 0 | 0 | 0 |
| 16.2 Funds held by or deposited with reinsured companies | 0 | 0 | 0 |
| 16.3 Other amounts receivable under reinsurance contracts | 0 | 0 | 0 |
| 17. Amounts receivable relating to uninsured plans | 0 | 0 | 0 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | 0 | 0 | 0 |
| 18.2 Net deferred tax asset..... | 207,947 | 485,167 | 277,220 |
| 19. Guaranty funds receivable or on deposit | 0 | 0 | 0 |
| 20. Electronic data processing equipment and software..... | 0 | 369,769 | 369,769 |
| 21. Furniture and equipment, including health care delivery assets..... | 0 | 0 | 0 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | 0 | 0 | 0 |
| 23. Receivables from parent, subsidiaries and affiliates | 0 | 0 | 0 |
| 24. Health care and other amounts receivable..... | 0 | 0 | 0 |
| 25. Aggregate write-ins for other-than-invested assets | 23,792 | 1,010,831 | 987,039 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)..... | 231,739 | 1,865,767 | 1,634,028 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | 0 | 0 | 0 |
| 28. Total (Lines 26 and 27) | 231,739 | 1,865,767 | 1,634,028 |
| DETAILS OF WRITE-INS | | | |
| 1101. | | | |
| 1102. | | | |
| 1103. | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 0 | 0 | 0 |
| 2501. Prepaid Assets..... | 23,792 | 1,010,831 | 987,039 |
| 2502. | | | |
| 2503. | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 23,792 | 1,010,831 | 987,039 |

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

| Source of Enrollment | Total Members at End of | | | | | 6 Current Year Member Months |
|--------------------------------------------------------------------------|-------------------------|--------------------|---------------------|--------------------|-------------------|------------------------------------|
| | 1 Prior Year | 2 First Quarter | 3 Second Quarter | 4 Third Quarter | 5 Current Year | |
| 1. Health Maintenance Organizations..... | 8,076 | 8,344 | 8,314 | 8,127 | 7,811 | 98,573 |
| 2. Provider Service Organizations..... | .0 | | | | | |
| 3. Preferred Provider Organizations..... | .0 | | | | | |
| 4. Point of Service..... | .0 | | | | | |
| 5. Indemnity Only..... | .0 | | | | | |
| 6. Aggregate write-ins for other lines of business..... | .0 | .0 | .0 | .0 | .0 | .0 |
| 7. Total | 8,076 | 8,344 | 8,314 | 8,127 | 7,811 | 98,573 |
| DETAILS OF WRITE-INS | | | | | | |
| 0601. | | | | | | |
| 0602. | | | | | | |
| 0603. | | | | | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | .0 | .0 | .0 | .0 | .0 | .0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | 0 | 0 | 0 | 0 | 0 | 0 |

1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of HAP Midwest Health Plan, Inc. ("Company") have been prepared in conformity with accounting practices prescribed or permitted by the State of Michigan of Insurance and Financial Services ("DIFS"). The DIFS requires insurance companies domiciled in the State of Michigan to prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures Manual (APPM). There are no deviations from NAIC AAPM in the Company's financial statements as presented in the Annual Statement.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below:

| NET INCOME | | F/S | F/S | Dec 31, 2017 | Dec 31, 2016 |
|------------------------------------------------------------------------|--------|--------|--------|--------------|--------------|
| | SSAP # | Page # | Line # | | |
| (1) State Basis (Page 4, Line 32, Columns 2 & 3) | XXX | XXX | XXX | 1,772,541 | \$22,990,965 |
| (2) State Prescribed Practices that increase/(decrease) from NAIC SAP: | N/A | N/A | N/A | | |
| (3) State Permitted Practices that increase/(decrease) from NAIC SAP: | N/A | N/A | N/A | | |
| (4) NAIC SAP (1-2-3=4) | XXX | XXX | XXX | 1,772,541 | 22,990,965 |
| SURPLUS | | | | | |
| (5) State Basis (Page 3, Line 33, Columns 3 & 4) | XXX | XXX | XXX | 26,461,746 | 24,311,738 |
| (6) State Prescribed Practices that increase/(decrease) from NAIC SAP: | N/A | N/A | N/A | | |
| (7) State Permitted Practices that increase/(decrease) from NAIC SAP: | N/A | N/A | N/A | | |
| (8) NAIC SAP (5-6-7=8) | XXX | XXX | XXX | 26,461,746 | 24,311,738 |

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with accounting practices prescribed or permitted by DIFS require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy

The Company is licensed as a Medicare and Medicaid Health Maintenance Organization (HMO) in the State of Michigan. Its programs consist of a Medicare Special Needs Plan, Traditional Medicaid, Healthy MI, Children with Special Health Care Services and the MI Health Link Program (Integrated Care Dual Demonstration program. As a result of an unsuccessful bid during 2016, the State of Michigan's Medicaid RFP, HAP Midwest no longer has a Medicaid presence in Wayne, Oakland, Macomb, Livingston, and Washtenaw counties.

Revenue is recognized during the month in which coverage for enrolled members is in effect. Amounts receivable or payable as a result of the contract reconciliation process are recorded in the year known or a reasonable estimate is determinable.

The Company uses the following accounting policies:

- Short-term investments consist of readily marketable securities with maturities greater than three months but less than one year at the time of purchase. The investments are recorded at amortized cost or fair value based on the underlying security.
- Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. The investments are recorded at fair value.
- Bonds not backed by other loans- are stated at amortized cost or the lower of fair value or amortized cost based on the NAIC designation of the underlying security as defined in SSAP No. 26 "Bonds", Paragraph 8.
- Common Stocks – Not applicable
- Preferred Stocks – Not applicable
- Mortgage Loans – Not applicable
- Loan –backed securities – Not applicable
- Investments in Subsidiaries, controlled and affiliated companies – Not applicable
- Investments in Joint Ventures, partnerships and limited liability companies – Not applicable
- Derivatives – Not applicable
- The Company was required to record a premium deficiency reserve at December 31, 2017.

12. The Company’s method of estimating liabilities for unpaid medical claims are based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.
13. Capitalization policy – No modification of capitalization policy
14. Pharmaceutical/Rebates Receivable – The plan recognizes pharmacy rebates/reimbursements when the amounts are known or a reasonable estimate is determinable.

D. Going Concern

Management does not consider there to be any present conditions or events that would raise substantial doubt about the Company’s ability to continue as a going concern.

2. Accounting Change and Correction of Errors

Not applicable for 2017.
During 2016 the Plan corrected an immaterial error on adjustment for tax. The impact was included on page 5 Line 47 Aggregate Write-ins in Surplus.

3. Business Combination and Goodwill

- A. Statutory Purchase Method- Not applicable
- B. Statutory Merger- Not applicable
- C. Assumption Reinsurance- Not applicable
- D. Impairment Loss- Not applicable

4. Discontinued Operations

The Company has no discontinued operations to report during 2017.

5. Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans – Not applicable
- B. Debt Restructuring - Not applicable
- C. Reverse Mortgages – Not applicable
- D. Loan-Backed Securities - Not applicable
- E. Dollar Repurchase Agreements and/or Securities Lending Transactions - Not applicable
- F. Repurchase Agreements Transactions Accounted for as Secured Borrowing - Not applicable
- G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing - Not applicable
- H. Repurchase Agreements Transactions Accounted for as a Sale - Not applicable
- I. Reverse Repurchase Agreements Transactions Accounted for as a sale - Not applicable
- J. Real Estate - Not applicable
- K. Low-Income Housing Tax Credits (LIHTC) - Not applicable
- L. Restricted Assets

(1) Restricted Assets (Including Pledged)

| Restricted Asset Category | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------|-----------------------------------|-------------------------------------------|----------------------------------------------------|------------------------------------------------------------|----------------------------------------------|
| | Total Gross Restricted from Current Year | Total Gross Restricted form Prior Year | (Increase/ Decrease) (1 minus 2) | Total current Year Nonadmitted Restricted | Total Current Year Admitted Restricted (1 minus 4) | Gross(Admitted and Nonadmitted) Restricted to Total Assets | Admitted Restricted to Total Admitted Assets |
| a. Subject to contractual obligation for which liability is not shown | \$..... | \$..... | \$..... | \$..... | \$..... | % | % |
| b. Collateral held under security lending agreements | | | | | | | |
| c. Subject to repurchase agreements | | | | | | | |
| d. Subject to reverse repurchase agreements | | | | | | | |
| e. Subject to dollar repurchase agreements | | | | | | | |
| f. Subject to dollar reverse repurchase agreements | | | | | | | |
| g. Placed under option contracts | | | | | | | |
| h. Letter stock or securities restricted as to sale – excluding FHLB capital stock | | | | | | | |
| i. FHLB capital stock | | | | | | | |
| j. On deposit with states | 1,019,138 | 1,027,117 | (7,979) | | 1,019,138 | 1.84 | 1.85 |
| k. On deposit with other regulatory bodies | | | | | | | |
| l. Pledged as collateral to FHLB (including assets Backing funding agreements) | | | | | | | |
| m. Pledged as collateral not captured in other categories | | | | | | | |
| n. Other restricted assets | | | | | | | |
| o. Total Restricted Assets | \$..... | \$ | \$ | \$ | \$ | % | % |

- M. Working Capital Finance Investments - Not applicable
- N. Offsetting and Netting of Assets and Liabilities - Not applicable
- O. Structured Notes - Not applicable
- P. 5* Securities - Not applicable
- Q. Short Sales - Not applicable
- R. Repayment Penalty and Acceleration Fees - Not applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

- A. The Company has no investments in Joint Ventures, Partnerships, or limited Liability Companies that exceed 10% of its admitted assets
- B. The Company did not recognize any impairment write down for investments in Joint Ventures, Partnerships and, Limited Liability Companies during the Statement Periods.

7. Investment Income

The Company had no excluded investment income.

8. Derivative Instruments

The Company had no derivative instruments.

9. Income Taxes

The Plan has recognized an admitted net Deferred Tax Asset (DTA) of \$ 741,063 and \$1,702,403 as of December 31, 2017 and 2016, respectively. The DTA is the result of cumulative temporary timing differences that exist between amounts presented in the statutory basis financial statements and amounts reportable for income tax purposes.

- A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

Pledged as collateral to FHLB
(including assets backing
funding agreements)

| 12/31/2017 | | |
|-----------------------------------------------------------|----------|--------------------|
| 1 | 2 | 3 |
| Ordinary | Capital | (Col 1+2) Total |
| | | |
| (a) Gross Deferred Tax Assets | 986,062 | 986,062 |
| (b) Statutory Valuation Allowance Adjustments | 0 | 0 |
| (c)Adjusted Gross Deferred Tax Assets (1a - 1b) | 986,062 | 986,062 |
| (d) Deferred Tax Assets Nonadmitted | 207,947 | 207,947 |
| (e)Subtotal Net Admitted Deferred Tax Assets (1c - 1d) | 778,115 | 778,115 |
| (f) Deferred Tax Liabilities | (37,053) | (37,053) |

- (g) Net Admitted Deferred Tax Assets/(Net
Deferred Tax Liability)
(1e - 1f)

741,062 741,062

1.

| 12/31/2016 | | |
|-----------------------------------------------------------|-----------|--------------------|
| 4 | 5 | 6 |
| Ordinary | Capital | (Col 4+5) Total |
| | | |
| (a) Gross Deferred Tax Assets | 2,205,570 | 2,205,570 |
| (b) Statutory Valuation Allowance Adjustments | 0 | |
| (c)Adjusted Gross Deferred Tax Assets (1a - 1b) | 2,205,570 | 2,250,570 |
| (d) Deferred Tax Assets Nonadmitted | 485,167 | 485,167 |
| (e)Subtotal Net Admitted Deferred Tax Assets (1c - 1d) | 1,720,403 | 1,720,403 |
| (f) Deferred Tax Liabilities | | |

- (g) Net Admitted Deferred Tax Assets/(Net
Deferred Tax Liability)
(1e - 1f)

1,720,403 0 1,720,403

| | | | |
|-----------------------------------------------------------------------------------|-------------|-----------|-------------|
| 1. | Change | | |
| | 7 | 8 | 9 |
| | (Col 1-4) | (Col 2-5) | (Col 7+8) |
| | Ordinary | Capital | Total |
| (a) Gross Deferred Tax Assets | (1,219,508) | | (1,219,508) |
| (b) Statutory Valuation Allowance Adjustments | 0 | | |
| (c) Adjusted Gross Deferred Tax Assets (1a - 1b) | (1,219,508) | 0 | (1,219,508) |
| (d) Deferred Tax Assets Nonadmitted | (277,220) | 0 | (277,220) |
| (e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d) | (942,288) | 0 | (942,288) |
| (f) Deferred Tax Liabilities | (37,053) | 0 | (37,053) |
| (g) Net Admitted Deferred Tax Assets/(Net Deferred Tax Liability) (1e - 1f) | (979,341) | 0 | (979,341) |

| | | | |
|----|------------|---------|--------------------|
| 2. | 12/31/2017 | | |
| | 1 | 2 | 3 |
| | Ordinary | Capital | (Col 1+2) Total |

Admission Calculation Components SSAP No. 101

| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------|-------------|
| (a) Federal Income taxes Paid In Prior Years Recoverable Through Loss Carry Carrybacks. | 699,062 | 0 | 699,062 |
| (b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below) | 42,000 | 0 | 42,000 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date. | 42,000 | 0 | 42,000 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold. | xxx | xxx | xx |
| (c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by | 37,053 0 | 0 0 | 37,053 0 |
| Gross Deferred Tax Liabilities | 37,053 | | 37,053 |
| (d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c)) | 815,167 | 0 | 815,167 |

| | | | |
|----|------------|---------|--------------------|
| 2. | 12/31/2016 | | |
| | 4 | 5 | 6 |
| | Ordinary | Capital | (Col 4+5) Total |

Admission Calculation Components SSAP No. 101

| | | | |
|--------------------------------------------------------------------------------------------|-----------|--|-----------|
| (a) Federal Income taxes Paid In Prior Years Recoverable Through Loss Carry Carrybacks. | 1,649,403 | | 1,649,403 |
| (b) Adjusted Gross Deferred Tax Assets | | | |

| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----|-----------|
| Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below) | 71,000 | 0 | 71,000 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date. | 71,000 | 0 | 71,000 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold. | xxx | xxx | 8,169,445 |
| (c)Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | 0 | 0 | 0 |
| (d)Deferred Tax Assets Admitted as the result of application of SSAP No. 101. | 0 | 0 | 0 |
| Total 2(a) + 2(b) + 2(c) | 1,720,403 | 0 | 1,720,403 |

| | | | |
|----|-----------|-----------|-----------|
| 2. | Change | | |
| | 7 | 8 | 9 |
| | (Col 1-4) | (Col 2-5) | (Col 7+8) |
| | Ordinary | Capital | Total |

Admission Calculation Components SSAP No. 101

| | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----|-----------|
| (a) Federal Income taxes Paid In Prior Years Recoverable Through Loss Carry Carrybacks. | (950,341) | 0 | (950,341) |
| (b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below) | (29,000) | 0 | (29,000) |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date. | (29,000) | 0 | (29,000) |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold. | xxx | xxx | 0 |
| (c)Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | 37,053 | 0 | 37,053 |
| (d)Deferred Tax Assets Admitted as the result of application of SSAP No. 101. | 37,053 | 0 | 37,053 |
| Total 2(a) + 2(b) + 2(c) | (905,236) | | (905,236) |

| | | |
|----|------|------|
| 3. | 2017 | 2016 |
|----|------|------|

| | | |
|------------------------------------------------------------------------------------------------------------------------|------------|------------|
| (a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount. | 627% | 523% |
| (b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b) 2 Above. | 25,720,684 | 22,591,335 |

| | | | |
|----|------------|---------|-----------|
| 4. | 12/31/2017 | | |
| | 1 | 2 | 3 |
| | Ordinary | Capital | (Col 1+2) |
| | Percent | Percent | Total |
| | | | Percent |

Impact of Tax-Planning Strategies

(a) Determination Of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets B Tax Character As A Percentage.

| | | | |
|--------------------------------------------------------------------------------------------------------------------------|---------|----|---------|
| 1. Adjusted Gross DTAs | 986,062 | 0 | 986,062 |
| 2. Percentage of Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies | 0% | 0% | 0% |
| 3. Net Admitted Adjusted Gross DTAs | 778,115 | 0 | 778,115 |
| 4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies | 0% | 0% | 0% |

| | | | |
|----|---------------------|--------------------|------------------|
| 4. | 12/31/2016 | | |
| | 4 | 5 | 6 |
| | | | (Col 4+5) |
| | Ordinary Percent | Capital Percent | Total Percent |

Impact of Tax-Planning Strategies

| | | | |
|--------------------------------------------------------------------------------------------------------------------------|-----------|----|-----------|
| 1. Adjusted Gross DTAs | 2,205,570 | 0 | 2,205,570 |
| 2. Percentage of Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies | 0% | 0% | 0% |
| 3. Net Admitted Adjusted Gross DTAs | 1,720,403 | 0 | 1,720,403 |
| 4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies | 0% | 0% | 0% |

| | | | |
|----|---------------------|--------------------|------------------|
| 4. | Change | | |
| | 7 | 8 | 9 |
| | (Col 1-4) | (Col 2-5) | (Col 7+8) |
| | Ordinary Percent | Capital Percent | Total Percent |

Impact of Tax-Planning Strategies

| | | | |
|--------------------------------------------------------------------------------------------------------------------------|-------------|----|-------------|
| 1. Adjusted Gross DTAs | (1,219,508) | 0 | (1,219,508) |
| 2. Percentage of Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies | 0% | 0% | 0% |
| 3. Net Admitted Adjusted Gross DTAs | (942,288) | 0 | (942,228) |
| 4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies | 0% | 0% | 0% |

(b) Does the Corporation's tax-planning strategies include the use of reinsurance? Yes No ☒ X

B. Unrecognized Deferred Tax Liabilities - NOT APPLICABLE.

C. Current income taxes incurred consist of the following major components:

| | | |
|------------|------------|---------------------|
| 1 | 2 | 3 |
| 12/31/2017 | 12/31/2016 | (Col 1-2) Change |

1. Current Income Tax

| | | | |
|------------------------------------------------|-----------|------------|-------------|
| (a) Federal | 736,572 | 10,582,655 | (9,846,083) |
| (b) Foreign | | | |
| (c) Subtotal | 736,572 | 10,582,655 | (9,846,083) |
| (d) Federal income tax on net capital gains | | | |
| (e) Utilization of capital loss carry-forwards | | | |
| (f) Other | (175,504) | (295,118) | (119,614) |
| (g) Federal and foreign income taxes incurred | 561,068 | 10,287,537 | (9,726,469) |

| 1 | 2 | 3 |
|------------|------------|---------------------|
| 12/31/2017 | 12/31/2016 | (Col 1-2) Change |

2. Deferred Tax Assets

(a) Ordinary

| | | | |
|------------------------------------------------------------------|---------|-----------|-------------|
| (1) Discounting of unpaid losses | 33.069 | 78.622 | (45,553) |
| (2) Unearned premium reserve | | | |
| (3) Policyholder reserves | | | |
| (4) Investments | | | |
| (5) Deferred acquisition costs | 0 | 0 | 0 |
| (6) Policyholder dividends accrual | | | |
| (7) Fixed Assets | 0 | 0 | 0 |
| (8) Compensation and benefits accrual | 576,997 | 164,219 | 412,778 |
| (9) Pension accrual | | | |
| (10) Receivables - nonadmitted | | | |
| (11) Net operating loss carry-forward | | | |
| (12) Deferred tax liabilities | | | |
| (13) Other (including items <5% of total ordinary tax assets) | 4,996 | 358,845 | (353,849) |
| (14)State taxes amended | 0 | 905,717 | (905,717) |
| (15) Intangibles | 371,000 | 698,167 | (327,167) |
| (99) Subtotal | 986,062 | 2,205,570 | (1,219,508) |
| (b) Statutory valuation allowance adjustment | | | 0 |
| (c)Nonadmitted | 207,947 | 485,167 | (227,220) |
| (d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c) | 778,115 | 1,720,403 | (942,228) |

(e)Capital:

| | | | |
|-------------------------------------------------------------|---------|-----------|-----------|
| (1) Investments | 0 | 0 | 0 |
| (2) Net capital loss carry-forward | 0 | 0 | 0 |
| (3) Real estate | 0 | 0 | 0 |
| (4) Other (including items <5% of total capital tax assets) | 0 | 0 | 0 |
| (99) Subtotal | 0 | 0 | 0 |
| (f) Statutory valuation allowance adjustment | 0 | 0 | 0 |
| (g) Nonadmitted | 0 | 0 | 0 |
| (h) Admitted capital deferred tax assets (2e99 - 2f - 2g) | 0 | 0 | 0 |
| (i) Admitted deferred tax assets (2d + 2h) | 778,115 | 1,720,403 | (942,228) |

3. Deferred Tax Liabilities

(a) Ordinary:

| | | | |
|--------------------------------------------------------------|--------|---|--------|
| (1) Investments | 0 | 0 | 0 |
| (2) Fixed assets | 37,053 | 0 | 37,053 |
| (3) Deferred and uncollected premium | 0 | 0 | 0 |
| (4) Policyholder reserves | 0 | 0 | 0 |
| (5) Other (including items <5% of total ordinary tax assets) | 0 | 0 | 0 |
| (99) Subtotal | 37,533 | 0 | 37,533 |

| | | | |
|------------------------------------------------------------------|---------|-----------|-----------|
| (b) Capital: | | | |
| (1) Investments | 0 | 0 | 0 |
| (2) Real estate | 0 | 0 | 0 |
| (3) Other (including items <5% of total capital tax liabilities) | 0 | 0 | 0 |
| (99) Subtotal | 0 | 0 | 0 |
| (c) Deferred tax liabilities(3a99 + 3b99) | 37,053 | 0 | 37,053 |
| 4. Net deferred tax assets/liabilities(2i - 3c) | 741,062 | 1,720,403 | (979,341) |

| | | | |
|---------------------------------------------|------------|------------|-------------|
| | 12/31/2017 | 12/31/2016 | Change |
| Total Deferred Tax Assets | 986,063 | 2,205,570 | (1,219,507) |
| Total Deferred Tax Liabilities | (37,053) | 0 | (37,053) |
| Net Deferred Tax Asset/Liabilities | 949,010 | 2,205,570 | (1,256,560) |
| Statutory Valuation Allowance | 0 | 0 | 0 |
| Net DTA/DTL after VA | 949,010 | 2,205,570 | (1,256,560) |
| Tax-effect on Unrealized Gain | | | 0 |
| Statutory Valuation Allowance on Unrealized | | | 0 |
| Change in Net Deferred Income tax | | | (1,256,560) |

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (3) bonus depreciation that will allow for full expensing of qualified property; (4) and changing rules regarding the discounting of property and casualty reserves for tax return purposes.

As a result of the Tax Act, the Company re-measured its deferred tax inventory at the date of enactment. Illustrated below is the impact of the tax rate change on deferred taxes as a result of the Tax Act. Of the \$949 decrease in net deferred income taxes charged to surplus in the current year, \$949 was related to the re-measurement. Of the \$0 change in taxes associated with the change in unrealized gains and losses as a charge to surplus, \$0 was related to the re-measurement.

| | Deferred Taxes at 35% | Deferred Taxes at 21% | Tax Rate Impact |
|-------------------------------|-----------------------------|-----------------------------|--------------------|
| Operating Deferred Tax Items | \$ 949 | \$ 949 | \$ |
| Unrealized Deferred Tax Items | | | |
| Net Deferred Taxes | <u>\$ 949</u> | <u>\$ 949</u> | <u>\$</u> |

The SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

The Statutory Accounting Principles (E) Working Group issued INT 18-01: Updated tax Estimates under the Tax Cuts and Jobs Act which provided that year-end 2017 financials should reflect the income tax effects of the Act in which the accounting estimates under SSAP No. 101 are complete. Further, the financials shall recognize impacts for accounting estimates under the Act that may be considered incomplete when a reasonable estimate is determinable. Furthermore, consistent with SAB 118, for specific income tax effects of the Act for which a reasonable estimate cannot be determined, reporting entities shall not recognize provisional amounts in the 2017 statutory financial statements. Furthermore, the guidance provided for disclosure for amounts that are incomplete similar to the disclosures required in SAB 118. The Statutory Accounting Principles (E) Working Group issued INT 18-01: Updated tax Estimates under the Tax Cuts and Jobs Act which provided that year-end 2017 financials should reflect the income tax effects of the Act in which the accounting estimates under SSAP No. 101 are complete. Further, the financials shall recognize impacts for accounting estimates under the Act that may be considered incomplete when a reasonable estimate is determinable. Furthermore, consistent with SAB 118, for specific income tax effects of the Act for which a reasonable estimate cannot be determined, reporting entities shall not recognize provisional amounts in the 2017 statutory financial statements. Furthermore, the guidance provided for disclosure for amounts that are incomplete similar to the disclosures required in SAB 118. Our accounting or the following elements of the Tax Act is complete.

Reduction of U.S. federal corporate tax rate: The Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Consequently, the Company has recorded a decrease related to net DTAs before non-admittance of \$949. A corresponding decrease to surplus for change in net deferred taxes of \$ and an \$0 increase to surplus for change in tax associated with unrealized gains and losses was recorded for this amount. Company's accounting for the following elements of the Tax Act is incomplete, although Company was able to make reasonable estimates of the effects.

Property and casualty loss reserves: The Act changes the discount rate and payment patterns utilized to discount certain lines of business when computing the allowable tax reserve deduction. No guidance has been issued regarding the appropriate interest rate and appropriate payment patterns to use to revalue the reserves. However, AHLIC has estimated the interest rate and payment patterns to estimate an initial

estimate of \$0 for the change in asset and corresponding liability. Company expects the ultimate amount to record will be immaterially different when determined.

D. Among the more significant book to tax adjustments were the following:

| | 2017 | % | 2016 | % |
|-----------------------------------------------------------|-----------|--------|------------|-------|
| Federal income tax benefit computed at the statutory rate | 828,431 | 2.5% | 11,813,868 | 35.5% |
| Permanent Differences | 0 | 0.0% | 0 | 0.0% |
| Change in DTAs on Non Admitted Assets | 481,667 | 1.14% | 19,735 | 0.1% |
| Impact of Change in Tax Rate | 655,268 | 2.0% | 0 | 0.0% |
| Prior Year True-up | (148,658) | (0.4%) | (277,947) | -0.8% |
| Impact of Prior Year Amended State Tax returns | 0 | 0.0% | | |
| Valuation Allowance | 0 | 0.0% | (18,052) | -0.1% |
| Other | 921 | 0.0% | 1,778 | 0.0% |
| Total | 1,817,628 | 5.5% | 11,539,382 | 34.7% |
| Federal income taxes incurred | 736,572 | 2.2% | 10,582,655 | 31.8% |
| Change in net deferred income taxes | 1,256,561 | 3.8% | 1,251,845 | 3.8% |
| Prior year underaccrual/(overaccrual) | (175,504) | (0.5%) | (295,118) | -0.9% |
| Total statutory income taxes | 1,817,629 | 5.5% | 11,539,982 | 34.7% |

E. Carry forwards, recoverable taxes, and IRC 6603 deposits:

The Plan does not have any Net Operating Loss or tax credit carry forwards.

The Plan does not have any deposits admitted under IRC 6603.

The Company has \$737,000 and \$10,407,000 of taxes recoupable for the tax years 2017 and 2016, respectively.

F. The Company's federal income tax return if filed on a standalone basis and taxes are based on an adopted income tax allocation plan between the Plan and other affiliated members of the controlled group.

G. The Company has recorded a liability, in accordance with SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets Revised, for the net benefit of the filing position taken on State of Michigan tax returns for prior years. The Company has recorded a liability for the net benefit of \$0 and \$2,551,000 for 2017 and 2016, respectively. The statute of limitation for Michigan returns is open for 2012 and subsequent years. Furthermore, the Federal statute of limitation is open for 2013 and subsequent years.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. The Company is 100% owned by Health Alliance Plan of Michigan ("HAP"). The Company's Ultimate Controlling Entity is the Henry Ford Health System (HFHS).
- B. The Company incurred a management fee, for strategic guidance and support and services from HAP in 2017 and 2016. The Company incurred a management fee for medical management from HFHS in 2017 and 2016. Through a Specialty Care and Hospital Agreement and a Plan/Primary Care Provider Agreement the Plan purchased healthcare and remitted State of Michigan pass thru payments to HFHS in 2017, and 2016. The Plan entered into a sublease agreement with HAP for primary office space of 18,418 rentable square feet in 2015. The terms of this lease agreement shall end on December 31, 2018, however it may be canceled with a 30 day written notice prior to December 31, 2018.
- C. The HAP management fee was \$2,786,269 in 2017 and \$2,331,906 in 2016. The Company paid healthcare services (noted above) to HFHS of \$13,611,282 in 2017 and \$18,486,000 in 2016. The Company purchased healthcare services from related parties totaling approximately 602,745 in 2017 and \$ 644,850 in 2016. The company paid \$ 676,642 for a sublease to HAP in 2017 and \$691,900 in 2016.
- D. The Company, under the terms of a Management and Services Agreement with HAP and a Management and Services Agreement between Henry Ford Health System (HFHS) and HAP recorded an amount due to \$1,086,856 and \$243,726 for 2017 and 2016 respectively, with terms of settlement within 15 days.
- E. Guarantees to Affiliated Groups – Not applicable
- F. As described above
- G. Common Ownership or Control – the Company and its affiliates are not subject to common ownership or control whereby their operating results or financial position would be significantly different from those if the entities were autonomous.
- H. Ownership in an Upstream Affiliate or Parent – Not applicable
- I. Investments in SCA Entities Exceeding 10% of Admitted Assets – Not applicable
- J. Investments in Impaired SCA Entities – Not applicable

- K. Investments in Foreign Insurance Subsidiaries – Not applicable
- L. Investment in Downstream Noninsurance Subsidiaries – Not applicable
- M. Investments in Non-Insurance Subsidiaries, Controlled and Affiliated Entities- Not applicable
- N. Investments in Insurance SCAs with Prescribed and Permitted Practices- Not applicable

11. Debt

The Company had no debt.

- A. Debt, including Capital Notes and Reverse Repurchase Agreements – Not applicable
- B. FHLB (Federal Home Loan Bank) Agreements – Not applicable

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan – Not applicable
- B. Investment Policies and Strategies- Not applicable
- C. Fair Value of Each Class of Plan Assets- Not applicable
- D. Basis to determine the overall expected long-term rate- of-return-on-assets assumptions- Not Applicable
- E. Defined Contribution Plan - The Plan maintains a 401(k) plan for its employees. All employees are eligible to participate in the 401(k) plan after completion of age and service requirements. The Plan makes matching contributions to the 401(k) plan up to four percent of eligible compensation. Contributions, net of forfeitures, made to the 401(k) plan by the Plan for the years ended December 31, 2017 and 2016 were approximately \$138,445 and \$122,000, respectively.

Effective December 24th, 2017 all Company's employees were moved to the HAP payroll and became eligible to participate in the HAP 401k plan in accordance with the age and service requirements. HAP, at its discretion can make a matching contribution equal to 50% of the employee's elective deferral up to 3.5% of eligible compensation.
- F. Multiemployer Plans – Not applicable
- G. Consolidated/Holding Company Plans – Not applicable
- H. Postemployment Benefits and Compensated Absences – Not applicable
- I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - Not applicable

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- 1. The Company has no stock and incorporated as a Michigan non-profit organization.
- 2. Preferred stock – Not applicable
- 3. Dividend Restrictions – the maximum dividends that may be paid by the Company without prior approval of the Michigan DIFS is limited to the greater of 10% of capital and surplus or net income for the previous year.
- 4. The Company has not paid a dividend in 2017. Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, Michigan, and to an amount based on restrictions relating to statutory surplus.

In 2016, the Company and its parent company, HAP, requested and received approval from DIFS for an ordinary dividend of \$17,483,354 and an extraordinary dividend of \$12,516,646 in July 2016. The dividends were paid to HAP on July 18, 2016. The Company and its parent company HAP also requested and received approval from DIFS for an addition extraordinary dividend of \$24,700,000 in December 2016. The dividend was accepted and accrued for year end and paid on January 6, 2017.
- 5. Dividend Restrictions Based on Profits - Within the limitations above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- 6. Restrictions on Unassigned Funds (Surplus) – Not applicable
- 7. Advances to Surplus Not Repaid – Not applicable.
- 8. Stock held for Special Purposes – Not applicable.
- 9. Changes in special Surplus funds – Not applicable
- 10. There are no cumulative unrealized gains and losses that reduce Unassigned funds (Surplus)
- 11. Surplus Notes – Not applicable
- 12. Impact of a Restatement Due to a Quasi-reorganization – Not applicable
- 13. The Effective Date(s) of a Quasi-Reorganization for the Prior Ten Years – Not applicable

14. Liabilities, Contingencies and Assessments

A. Contingent Commitments

The Company is not aware of any material contingent liabilities as of December 31, 2017. The company has committed no reserves to cover any contingent liabilities.

B. Assessments

As of December 31, 2017, the Company is not aware of any assessments against the Company.

C. Gain Contingencies

The Company is not aware of any material gain contingencies as of December 31, 2017.

D. Claims Related Extra Contractual Obligation and Bad, Faith Losses Stemming from Lawsuits

The Company paid no extra contractual obligations and bad faith losses stemming from lawsuits during 2017.

E. Joint and Several Liabilities

The Company does not have any joint and several liability arrangements to report at December 31, 2017.

F. All Other Contingencies

The Company is not aware of any material contingent liability at December 31, 2017. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the company. The company has no assets that it considers to be impaired.

15. Leases

A. Lessee Operating Leases

1.

- a. The Company has an operating lease for its former primary office space. The rental expense was \$745,850 and \$691,900 for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 Company has no future minimum aggregate rental commitments.
- b. The Company commenced a 10 year operating lease for its primary office space in December 2010, which is cancellable after the 6th year.

2. At December 31, 2017, the Company has no minimum aggregate rental commitments.

3. Material Sales – Leaseback Transactions - Not applicable

B. Lessor Leases – Not applicable

C. Leveraged Leases- Not applicable

16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk.

The Company had no financial instruments with off-balance sheet risk or with concentrations of credit risk at December 31, 2017.

17. Sales, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

A. Transfers of Receivables Reported as Sales

The Company had no transfers of receivables reported as sales during 2017.

B. Transfer and Servicing of Financial Assets

The Company had no transferring or servicing of financial assets during 2017.

C. Wash Sales

The Company had no wash sales during 2017.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans.

A. ASO Plans – Not applicable

B. ASC Plans – Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract –

1. Major components of revenue by payer – Not applicable

2. Receivables from payers with account balances the greater of 10% of amounts receivable relating to uninsured accident and health plans of \$10,000

2017

2016

- | | | | |
|--|--------------------------------------------------|--------------|-------------|
| | Centers for Medicare and Medicaid Services (CMS) | \$ 3,205,393 | \$2,604,892 |
|--|--------------------------------------------------|--------------|-------------|
3. The Company has recorded \$ 0 as an allowance for potential penalties and or expenses related to the transition for the Medicare program.
 4. The Company has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period

19. Direct Premium Written/Produced by Managing General Third Agents/Third Party Administrators

The plan had no direct premium written/produced by managing general third agents/third party administrators during 2017.

20. Fair Value Measurements

- A. Fair Market Value at Reporting Date:
 1. The Company reports certain investments in the Company’s statement of assets, liabilities surplus and other funds as of December 31, 2017 at fair value which are summarized in the table below. There are no other assets and liabilities which are reported at fair value in the statement of assets, liabilities surplus and other funds as of December 31, 2017.

| | | | | |
|------------------|-----------|--------------|-----------|--------------|
| Description | (Level 1) | (Level 2) | (Level 3) | Total |
| Cash Equivalents | | | | |
| MMF | | \$40,174,315 | | \$40,174,315 |
2. The Company has no fair value measurements categorized within Level 1 and 3 of the fair value hierarchy at December 31, 2017.
3. The Company’s policy for recognition of transfers between levels within the fair value hierarchy is to recognize the transfer on the actual date of the event or change in circumstances that caused the transfer. The Company had no transfers between levels at December 31, 2017.
5. The Company does not have derivative assets and liabilities at December 31, 2017.

B. Other Fair Value Information - Not applicable

C. Aggregate fair values of all financial instruments and applicable levels within the fair value hierarchy

| Type of Financial Instrument | Aggregate Fair Value | Admitted Assets/Liabilities | (Level 1) | (Level 2) | (Level 3) | Not Practicable Carrying Value |
|------------------------------|----------------------|-----------------------------|------------|-----------|-----------|--------------------------------|
| Short-Term Investment | | | | | | |
| Bond | 1,019,138 | 1,019,138 | | 1,019,138 | | |
| Cash Equivalents | | | | | | |
| MMF | 40,174,315 | 40,174,315 | 40,174,315 | | | |

D. Financial instruments or classes of financial instruments for which fair value measurements are not determinable – Not applicable

21. Other Items

- A. Unusual or Infrequent Items

Not applicabe
- B. Troubled Debt Restructuring – Not applicable
- C. Other Disclosures

Statutory Deposit – As a condition of maintain its certificate of authority with the State of Michigan, the Company maintains a deposit in a segregated account of \$1,000,000, which is the maximum required for a Health Maintenance Organization. These funds are intended to be used for the sole benefit of all Company’s members and only at the direction of the Director of DIFS. The funds are invested in a U.S treasury notes and reported in short term investment. The interest on these funds accrues to the Company.
- D. Business Interruption Insurance Recoveries – Not applicable
- E. State Transferable and Non-Transferable Tax Credits – Not applicable
- F. Subprime Mortgage Related Risk Exposure – Not applicable

- G. Retained Assets- Not applicable
- H. Insurance-Linked Securities (ILS) Contracts - Not applicable

22. Events Subsequent

Type 1- Recognized Subsequent Events:

The management has evaluated all events subsequent to the Annual Statement date of December 31, 2017 through February 28, 2018, for the Annual Statement submitted on March 01, 2018.

Type II – Non-recognized Subsequent Events

In August 2015, the IRS confirmed that the Company was not subject to the 2015 ACA Excise Fee based on its status as a Michigan nonprofit corporation.

| | Current Year | Prior Year |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|
| A. Did the reporting entity write accident and health insurance premium that is subject to section 9010 of the federal Affordable Care Act (Yes/No) – | No | No |
| B. ACA fee assessment payable for the upcoming year | \$0 | \$0 |
| C. ACA fee assessment paid - | \$0 | \$0 |
| D. Premium written subject to ACA 9010 assessment – | \$0 | \$0 |
| E. Total Adjusted Capital before surplus adjustment – | \$0 | \$0 |
| F. Total Adjusted Capital after surplus adjustment – | \$0 | \$0 |
| G. Authorized Control Level after surplus adjustment – | \$0 | \$0 |
| H. Would reporting the ACA assessment as of December 31, 2017, have triggered an RBC action level: N/A | | |

23. Reinsurance

- A. Ceded Reinsurance Report

During 2017, the Company has a reinsurance agreement with Zurich American Insurance Company, NAIC 16535, Federal Tax ID #36-4233459 a non-affiliated U.S. company for 2017. The Company is self-insured for medical claims up to a certain retention level per member during each policy year and has an agreement with a reinsurance carrier to cover the claims incurred over the retention level. The retention level was \$175,000 and \$248,000 per member in 2017 and 2016, respectively. Reinsurance expenses were \$991,588 and \$888,000 in 2017 and 2016, respectively, which were recorded as a reduction of premium revenue in the statements of revenues, expenses, and capital and surplus—statutory-basis. Reinsurance recoveries were \$1,200,102 and \$1,247,000 in 2017

Section 1 – General Interrogatories

1 - Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Plan or by any representative, officer, trustee, or director of the company? NO

2 - Have any policies issued by the company been reinsured with a company chartered in a country other than the United States this is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business? NO

Section 2 – Ceded Reinsurance Report – Part A

1 – Does the Plan have a reinsurance agreement in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit? NO

2 – Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? NO

Section 3 – Ceded Reinsurance Report – Part B

1- What is the estimated amount of the aggregate reduction in surplus (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company consider the current or anticipated experience of the business reinsured in making this estimate. \$ None

2 – Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Plan as of the effective date of the agreement? NO

- B. Uncollectible Reinsurance – Not applicable
- C. Commutation of Ceded Reinsurance – Not applicable
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation- Not applicable

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination.

The Company is subject to medical loss ratio corridor for certain Medical business. The Company reported a liability of \$1,578,211 at December 31, 2017 and \$1,682,000 at December 31, 2016. This liability is reported on page 3, line 4" Aggregate Health Policy Reserves

- A. The method used by the reporting entity to estimate accrued retrospective premium adjustment - Not applicable
- B. Accrual of retrospective premiums recorded through written premium or as an adjustment to earned premium – Not applicable
- C. Amount of net premiums written that are subject to retrospective rating features, as well as the corresponding percentage to total net premium written - Not applicable
- D. Medical loss ratio rebates required pursuant to the Public Health Service Act - Not applicable
- E. Risk-Sharing Provisions of the Affordable Care Act (AC)
 - (1) Did the reporting entity write accident and health insurance premiums that is subject to the Affordable Care Act risk-sharing provisions (YES/NO) ? No
 - (2) Impact of Risk-Sharing provisions of the Affordable Care Act on Admitted Assets, Liabilities, and Revenue for the current year - Not applicable
 - (3) Rollforward of prior year ACA risk-sharing provisions for the following assets (gross of any nonadmission) and liability balances, along with the reason for any adjustments to prior year balance - Not applicable
 - (4) Roll-forward of risk corridors asset and liability balances by program benefit year – Not applicable
 - (5) ACA risk corridors receivable as of report date – Not applicable

25. Change in Incurred Claims and Claims Adjustment Expenses

Reserves as of December 31, 2017 were \$ 20,497,120. As of December 31, 2017, \$17,668,437 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$851,130 as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been a \$8,244,877 favorable prior-year development since December 31, 2016 to December 31, 2017. The increase (decrease) is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual.

26. Intercompany Pooling Arrangements

Not applicable

27. Structured Settlements

Not applicable

28. Health Care Receivables – Admitted

- A. Pharmaceutical/Rebates Receivable – The plan recognizes pharmacy rebates/reimbursements when the amounts are known or a reasonable estimate is determinable. The Plan changed its methodology for the recognition in the fourth quarter 2016 to align with its parent corporation’s accounting practices.

| Quarter | Estimated Pharmacy Rebates as Reported on Financial Statements | Pharmacy Rebates as Billed or Otherwise Confirmed | Actual Rebates Received Within 90 Days of Billing | Actual Rebates Received Within 91 to 180 Days of Billing | Actual Rebates Received More Than 180 Days After Billing |
|------------|-------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|
| 12/31/2017 | 1,838,012 | 715,438 | 8,090 | 0 | 0 |
| 09/30/2017 | 1,746,257 | 905,685 | 905,685 | 0 | 0 |
| 06/30/2017 | 264,932 | 1,712,051 | 1,712,051 | 0 | 0 |
| 03/31/2017 | 457,442 | 848,448 | 848,448 | 0 | 0 |
| 12/31/2016 | 625,294 | 1,750,686 | 8,979 | 0 | 1,741,707 |
| 09/30/2016 | 812,735 | 116,732 | 116,732 | 0 | 0 |
| 06/30/2016 | 724,892 | 1,945,484 | 46,282 | 1,256,589 | 642,613 |
| 03/31/2016 | 1,223,011 | 577,473 | 132,111 | 445,362 | 0 |
| 12/31/2015 | 2801,833 | 813,500 | 451,729 | 0 | 0 |
| 09/30/2015 | 566,774 | 556,774 | 556,312 | 0 | 0 |
| 06/30/2015 | 412,241 | 412,241 | 413,562 | 0 | 0 |
| 03/31/2015 | 302,448 | 302,448 | 302,790 | 0 | 0 |

B. Risk Sharing Receivable

For 2017, the Company had no contracts with capitated providers. For 2016, the Plan's contract with capitated providers that have 250 or more assigned members were subject to risk sharing. Any provider with a deficit balance owed 25% of that balance, up to a maximum of three month's capitation, to the Plan. The Plan had a final settlement with Providers 18 months after the beginning of the respective contract year. For 2016, the Plan agreed to waive any Risk Share Receivable and accordingly rebased its capitation payment and referral pool funding for 2016.

29. Participating Policies

Not applicable

30. Premium Deficiency Reserves

SSAP No. 54R "Individual and Group Accident and Health Contracts" requires companies to record an additional liability known as premium deficiency reserve when expected claim payments or incurred costs, claim adjustment expenses and administration cost exceed the premiums to be collected for the remainder of a contract period. Accordingly, HAP MHP recorded \$2,322,000 premium deficiency reserve ("PDR") at December 31, 2017 and \$0 at December 31, 2016. The Company did not utilize investment income in PDR calculation. The date of evaluation was December 31, 2017.

31. Anticipated Salvage and Subrogation

Not applicable

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐
- 1.3

State Regulating?

Michigan.....
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒
- 2.2

If yes, date of change:

.....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/2015
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....12/31/2015
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....06/28/2017
- 3.4

By what department or departments? Michigan Department of Insurance and Financial Services.....
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☐ No ☐ N/A ☒
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes ☐ No ☒

4.12 renewals? Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes ☐ No ☒

4.22 renewals? Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 Name of Entity | 2 NAIC Company Code | 3 State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,

7.21 State the percentage of foreign control0.0

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

| 1 Nationality | 2 Type of Entity |
|------------------|---------------------|
| | |
| | |
| | |
| | |
| | |

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1 | 2 | 3 | 4 | 5 | 6 |
|----------------|---------------------------|-----|-----|------|-----|
| Affiliate Name | Location (City, State) | FRB | OCC | FDIC | SEC |
| | | NO | NO | NO | NO |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche LLP, Suite 3900, 200 Renaissance Center, Detroit, MI 48243.....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]

10.2 If the response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]

10.4 If the response to 10.3 is yes, provide information related to this exemption:

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []

10.6 If the response to 10.5 is no or n/a, please explain

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Michael Sturm, FSA, MMA. Milliman, 15800 Bluemound Road, Suite 100, Brookfield, WI 53005.....

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

.....

.....0

\$......

12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c. Compliance with applicable governmental laws, rules and regulations;

d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s)

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List?
- Yes [] No [X]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

| 1 | 2 | 3 | 4 |
|---------------------------------------------------|---------------------------------|-----------------------------------------------------|--------|
| American Bankers Association (ABA) Routing Number | Issuing or Confirming Bank Name | Circumstances That Can Trigger the Letter of Credit | Amount |
| | | | 0 |
| | | | |
| | | | |
| | | | |

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?
- Yes [X] No []
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?
- Yes [X] No []
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?
- Yes [X] No []

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?
- Yes [] No [X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$.....
- 20.12 To stockholders not officers \$.....
- 20.13 Trustees, supreme or grand (Fraternal only) \$.....
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$.....
- 20.22 To stockholders not officers \$.....
- 20.23 Trustees, supreme or grand (Fraternal only) \$.....
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?
- Yes [] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$.....
- 21.22 Borrowed from others \$.....
- 21.23 Leased from others \$.....
- 21.24 Other \$.....
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?
- Yes [] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$.....
- 22.22 Amount paid as expenses \$.....
- 22.23 Other amounts paid \$.....
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?
- Yes [] No [X]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:
- \$.....

INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)
- Yes [X] No []
- 24.02 If no, give full and complete information, relating thereto
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?
- Yes [] No [] NA [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.
- \$.....
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs.
- \$.....
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?
- Yes [] No [] NA [X]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?
- Yes [] No [] NA [X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?
- Yes [] No [] NA [X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....0
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....0
- 24.103 Total payable for securities lending reported on the liability page \$.....0

GENERAL INTERROGATORIES

- 25.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03).

Yes [X] No []
- 25.2

If yes, state the amount thereof at December 31 of the current year:

25.21

Subject to repurchase agreements

\$

25.22

Subject to reverse repurchase agreements

\$

25.23

Subject to dollar repurchase agreements

\$

25.24

Subject to reverse dollar repurchase agreements

\$

25.25

Placed under option agreements

\$

25.26

Letter stock or securities restricted as to sale – excluding FHLB Capital Stock

\$

25.27

FHLB Capital Stock

\$

25.28

On deposit with states

\$0

25.29

On deposit with other regulatory bodies

\$1,019,138

25.30

Pledged as collateral – excluding collateral pledged to an FHLB

\$

25.31

Pledged as collateral to FHLB – including assets backing funding agreements

\$

25.32

Other

\$

25.3 For category (25.26) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | |
| | | |
| | | |
| | | |
| | | |

- 26.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]
- 26.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes [] No [] N/A [X]
- 27.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]
- 27.2

If yes, state the amount thereof at December 31 of the current year.

\$
28.

Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes [X] No []

28.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

| 1 Name of Custodian(s) | 2 Custodian's Address |
|---------------------------|--------------------------|
| Comerica Bank..... | Detroit, Michigan..... |
| | |

28.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

| 1 Name(s) | 2 Location(s) | 3 Complete Explanation(s) |
|--------------|------------------|------------------------------|
| | | |

- 28.03

Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes [] No [X]
- 28.04

If yes, give full and complete information relating thereto:

| 1 Old Custodian | 2 New Custodian | 3 Date of Change | 4 Reason |
|--------------------|--------------------|---------------------|-------------|
| | | | |
| | | | |
| | | | |

GENERAL INTERROGATORIES

28.05 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts"; "...handle securities"]

| 1 Name of Firm or Individual | 2 Affiliation |
|-----------------------------------------------|------------------|
| J.P. Morgan Investment Management, Inc..... | U..... |
| The Dreyfus Corportion..... | U..... |
| Goldman Sachs Asset Management LP..... | U..... |
| Fedelity management and Research company..... | U..... |
| Wells Fargo Funds Management LLC..... | U..... |
| The Northern Trust Company..... | U..... |
| Comerica Bank, NA..... | U..... |
| Comerica Securities, Inc..... | U..... |
| Robin Damshroeder..... | U..... |
| Richard Swift..... | I..... |
| Hendrik Schuur..... | A..... |
| Kelly English..... | A..... |
| Beth Treatt..... | A..... |
| Leslie Hardy..... | A..... |

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets? Yes [] No [X]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [] No [X]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

| 1 Central Registration Depository Number | 2 Name of Firm or Individual | 3 Legal Entity Identifier (LEI) | 4 Registered With | 5 Investment Management Agreement (IMA) Filed |
|------------------------------------------------|--------------------------------------------------|---------------------------------------|----------------------|-----------------------------------------------------|
| 107038..... | J.P. Morgan Investment Management, Inc..... | 549300Q7485FUJKEMM46..... | SEC..... | NO..... |
| 105642..... | The Dreyfus Corportion..... | 54930067A504FBYASH16..... | SEC..... | NO..... |
| 107738..... | Goldman Sachs Asset Management LP..... | CF5M58QA35CFPUX70H17..... | SEC..... | NO..... |
| 108281..... | Fedelity management and Research company..... | 5493001Z012YSB2A0K51..... | SEC..... | NO..... |
| 110841..... | Wells Fargo Funds Management LLC..... | 549300ZYNVR067EZFC38..... | SEC..... | NO..... |
| ..... | The Northern Trust Company..... | ..... | ..... | ..... |
| N/A..... | Comerica Bank, NA..... | 70WY0ID1N53Q4254VH70..... | FDIC..... | NO..... |
| 17079..... | Comerica Securities, Inc..... | ..... | SEC..... | NO..... |
| N/A..... | Robin Damshroeder..... | Not Applicable..... | Not Applicable..... | ..... |
| N/A..... | Hendrik Schuur..... | Not Applicable..... | Not Applicable..... | ..... |
| N/A..... | Kelly English..... | Not Applicable..... | Not Applicable..... | ..... |
| N/A..... | Beth Treatt..... | Not Applicable..... | Not Applicable..... | ..... |
| N/A..... | Richard Swift..... | Not Applicable..... | Not applicable..... | ..... |
| N/A..... | Leslie Hardy..... | Not Applicable..... | Not Applicable..... | ..... |

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [] No [X]

29.2 If yes, complete the following schedule:

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|---------------|--------------------------|-----------------------------------|
| | | |
| | | |
| | | |
| 29.2999 TOTAL | | 0 |

29.3 For each mutual fund listed in the table above, complete the following schedule:

| 1 Name of Mutual Fund (from above table) | 2 Name of Significant Holding of the Mutual Fund | 3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4 Date of Valuation |
|------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------|
| | | | |
| | | | |
| | | | |

GENERAL INTERROGATORIES

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

| | 1 | 2 | 3 |
|----------------------------|-------------------------------|------------|------------------------------------------------------------------------------------|
| | Statement (Admitted) Value | Fair Value | Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
| 30.1 Bonds..... | 1,019,138 | 1,019,138 | 0 |
| 30.2 Preferred Stocks..... | 0 | | 0 |
| 30.3 Totals | 1,019,138 | 1,019,138 | 0 |

30.4 Describe the sources or methods utilized in determining the fair values:

Comerica Bank.....

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed? Yes [X] No []

32.2 If no, list exceptions:

GENERAL INTERROGATORIES

33. By self-designating 5*GI securities, the reporting entity is certifying the following elements of each self-designated 5*GI security:
- a.Documentation necessary to permit a full credit analysis of the security does not exist.
 - b.Issuer or obligor is current on all contracted interest and principal payments.
 - c.The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5*GI securities? Yes [] No [X]

OTHER

- 34.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$
- 34.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-------------------------------------------|------------------|
| Michigan Association of Health Plans..... | \$.....2,900 |

- 35.1 Amount of payments for legal expenses, if any? \$
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | \$..... |
| | \$..... |
| | \$..... |

- 36.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$
- 36.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|-----------|------------------|
| | \$..... |
| | \$..... |
| | \$..... |

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
1.2 If yes, indicate premium earned on U.S. business only. \$0
1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$
1.31 Reason for excluding
1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above \$
1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$0
1.6 Individual policies:
Most current three years:
1.61 Total premium earned \$0
1.62 Total incurred claims \$0
1.63 Number of covered lives0
All years prior to most current three years:
1.64 Total premium earned \$0
1.65 Total incurred claims \$0
1.66 Number of covered lives0
1.7 Group policies:
Most current three years:
1.71 Total premium earned \$0
1.72 Total incurred claims \$0
1.73 Number of covered lives0
All years prior to most current three years:
1.74 Total premium earned \$0
1.75 Total incurred claims \$0
1.76 Number of covered lives0

2. Health Test:

Table with 3 columns: Item, 1 Current Year, 2 Prior Year. Rows include Premium Numerator, Premium Denominator, Premium Ratio (2.1/2.2), Reserve Numerator, Reserve Denominator, and Reserve Ratio (2.4/2.5).

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]
3.2 If yes, give particulars:
4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []
4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No []
5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No []
5.2 If no, explain:

5.3 Maximum retained risk (see instructions)
5.31 Comprehensive Medical \$175,000
5.32 Medical Only \$
5.33 Medicare Supplement \$
5.34 Dental and Vision \$
5.35 Other Limited Benefit Plan \$
5.36 Other \$

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No []
7.2 If no, give details

8. Provide the following information regarding participating providers:
8.1 Number of providers at start of reporting year2,443
8.2 Number of providers at end of reporting year2,341

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]

9.2 If yes, direct premium earned:
9.21 Business with rate guarantees between 15-36 months
9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes ☒ No ☐
- 10.2 If yes:

10.21 Maximum amount payable bonuses\$.....561,050

10.22 Amount actually paid for year bonuses\$.....744,019

10.23 Maximum amount payable withholds\$.....

10.24 Amount actually paid for year withholds\$.....
- 11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,Yes ☐ No ☒

11.13 An Individual Practice Association (IPA), or,Yes ☐ No ☒

11.14 A Mixed Model (combination of above) ?Yes ☒ No ☐
- 11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements?

Yes ☒ No ☐
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus.

Michigan.....
- 11.4 If yes, show the amount required.

\$.....8,207,319
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes ☐ No ☒
- 11.6 If the amount is calculated, show the calculation

See the RBC calculation
12. List service areas in which reporting entity is licensed to operate:

| 1 |
|------------------------------------------------------------------------------------------------------------|
| Name of Service Area |
| Shiawassee, Genesee, Lapeer, St. Clair, Tuscola, Sanilac, Huron, Macomb, Wayne, Washtenaw and Oakland..... |
| Counties..... |
| |
| |
| |

- 13.1 Do you act as a custodian for health savings accounts?

Yes ☐ No ☒
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$.....
- 13.3 Do you act as an administrator for health savings accounts?

Yes ☐ No ☒
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$.....
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3 as authorized reinsurers?

Yes ☐ No ☐ N/A ☒
- 14.2 If the answer to 14.1 is yes, please provide the following:

| 1 | 2 | 3 | 4 | Assets Supporting Reserve Credit | | |
|--------------|-------------------|--------------------------|----------------|----------------------------------|------------------|-------|
| | | | | 5 | 6 | 7 |
| Company Name | NAIC Company Code | Domiciliary Jurisdiction | Reserve Credit | Letters of Credit | Trust Agreements | Other |
| | | | | | | |

15. Provide the following for Individual ordinary life insurance* policies (U.S. business Only) for the current year:

15.1 Direct Premium Written (prior to reinsurance ceded)\$.....

15.2 Total incurred claims\$.....

15.3 Number of covered lives.....

| *Ordinary Life Insurance Includes |
|-------------------------------------------------------------------------------------------|
| Term (whether full underwriting, limited underwriting, jet issue, "short form app") |
| Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app") |
| Variable Life (with or without Secondary Guarantee) |
| Universal Life (with or without Secondary Guarantee) |
| Variable Universal Life (with or without Secondary Guarantee) |

FIVE - YEAR HISTORICAL DATA

| | 1 2017 | 2 2016 | 3 2015 | 4 2014 | 5 2013 |
|----------------------------------------------------------------------------------------------------------|-------------|--------------|-------------|-------------|-------------|
| Balance Sheet (Pages 2 and 3) | | | | | |
| 1. Total admitted assets (Page 2, Line 28) | 54,824,296 | 85,429,269 | 180,625,294 | 101,372,343 | 82,056,220 |
| 2. Total liabilities (Page 3, Line 24) | 28,362,550 | 61,117,531 | 123,262,725 | 61,611,684 | 50,655,639 |
| 3. Statutory minimum capital and surplus requirement | 8,207,319 | 8,635,068 | 27,409,926 | 20,533,564 | 17,367,996 |
| 4. Total capital and surplus (Page 3, Line 33) | 26,461,746 | 24,311,738 | 57,362,569 | 39,760,659 | 31,400,581 |
| Income Statement (Page 4) | | | | | |
| 5. Total revenues (Line 8) | 115,362,532 | 122,443,352 | 501,918,633 | 381,700,201 | 294,580,195 |
| 6. Total medical and hospital expenses (Line 18) | 93,103,758 | 102,780,162 | 403,770,503 | 310,505,608 | 259,422,180 |
| 7. Claims adjustment expenses (Line 20) | 3,378,126 | 3,138,286 | 6,077,398 | 4,201,271 | 3,657,902 |
| 8. Total administrative expenses (Line 21) | 14,510,439 | 14,685,556 | 49,048,806 | 37,430,526 | 15,200,497 |
| 9. Net underwriting gain (loss) (Line 24) | 2,048,209 | 1,839,348 | 43,021,926 | 29,562,796 | 16,299,616 |
| 10. Net investment gain (loss) (Line 27) | 285,399 | 931,854 | 408,409 | 203,106 | 24,723 |
| 11. Total other income (Lines 28 plus 29) | 0 | 30,507,300 | 0 | 0 | 0 |
| 12. Net income or (loss) (Line 32) | 1,772,541 | 22,990,965 | 27,483,354 | 19,130,072 | 9,439,932 |
| Cash Flow (Page 6) | | | | | |
| 13. Net cash from operations (Line 11)..... | (9,006,284) | (64,072,266) | 57,156,301 | 33,468,231 | 16,775,485 |
| Risk-Based Capital Analysis | | | | | |
| 14. Total adjusted capital..... | 26,461,746 | 24,311,738 | 57,362,569 | 39,760,659 | 31,400,581 |
| 15. Authorized control level risk-based capital | 4,103,660 | 4,317,534 | 13,704,962 | 10,295,874 | 8,683,998 |
| Enrollment (Exhibit 1) | | | | | |
| 16. Total members at end of period (Column 5, Line 7) | 7,811 | 8,076 | 94,119 | 94,408 | 79,419 |
| 17. Total members months (Column 6, Line 7) | 98,573 | 96,690 | 1,170,468 | 1,061,706 | 959,982 |
| Operating Percentage (Page 4) | | | | | |
| (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0 | | | | | |
| 18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) | 80.7 | 83.9 | 80.3 | 81.3 | 87.9 |
| 20. Cost containment expenses | 1.6 | 1.5 | 0.6 | 0.5 | 0.5 |
| 21. Other claims adjustment expenses | 1.4 | 1.1 | 0.6 | 0.6 | 0.7 |
| 22. Total underwriting deductions (Line 23) | 98.2 | 98.5 | 91.3 | 92.2 | 94.3 |
| 23. Total underwriting gain (loss) (Line 24) | 1.8 | 1.5 | 8.6 | 7.7 | 5.5 |
| Unpaid Claims Analysis | | | | | |
| (U&I Exhibit, Part 2B) | | | | | |
| 24. Total claims incurred for prior years (Line 13, Col. 5) | 19,701,637 | 77,166,385 | 40,278,255 | 36,167,538 | 30,601,182 |
| 25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] | 27,946,514 | 77,031,306 | 52,363,305 | 37,902,789 | 32,726,160 |
| Investments In Parent, Subsidiaries and Affiliates | | | | | |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| 29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) | 0 | 0 | 0 | 0 | 0 |
| 30. Affiliated mortgage loans on real estate | 0 | 0 | 0 | 0 | 0 |
| 31. All other affiliated | 0 | 0 | 0 | 0 | 0 |
| 32. Total of above Lines 26 to 31..... | 0 | 0 | 0 | 0 | 0 |
| 33. Total investment in parent included in Lines 26 to 31 above | | | | | |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3 - *Accounting Changes and Correction of Errors*?.....Yes [] No []

If no, please explain

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

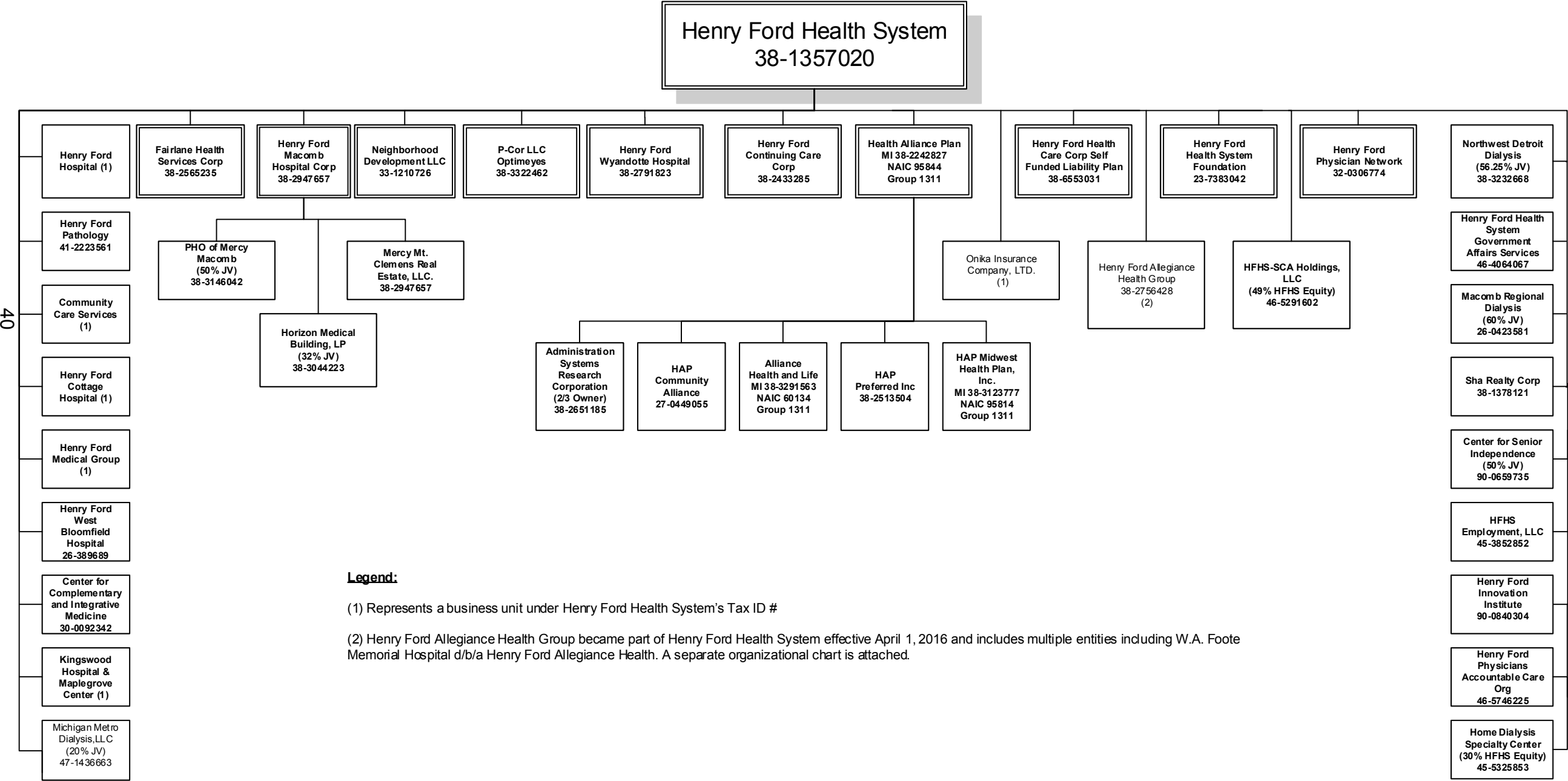
| | | | 1 | Direct Business Only | | | | | | | |
|----------------------|--------------------------------------------------------------------|-----|---------------|----------------------------|----------------------|--------------------|-------------------------------------------------|-------------------------------------------------|-----------------------------|---------------------------|------------------------|
| | | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| State, Etc. | | | Active Status | Accident & Health Premiums | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefits Plan Premiums | Life & Annuity Premiums & Other Consideration s | Property/ Casualty Premiums | Total Columns 2 Through 7 | Deposit-Type Contracts |
| 1. | Alabama | AL | N | | | | | | | 0 | 0 |
| 2. | Alaska | AK | N | | | | | | | 0 | 0 |
| 3. | Arizona | AZ | N | | | | | | | 0 | 0 |
| 4. | Arkansas | AR | N | | | | | | | 0 | 0 |
| 5. | California | CA | N | | | | | | | 0 | 0 |
| 6. | Colorado | CO | N | | | | | | | 0 | 0 |
| 7. | Connecticut | CT | N | | | | | | | 0 | 0 |
| 8. | Delaware | DE | N | | | | | | | 0 | 0 |
| 9. | District of Columbia | DC | N | | | | | | | 0 | 0 |
| 10. | Florida | FL | N | | | | | | | 0 | 0 |
| 11. | Georgia | GA | N | | | | | | | 0 | 0 |
| 12. | Hawaii | HI | N | | | | | | | 0 | 0 |
| 13. | Idaho | ID | N | | | | | | | 0 | 0 |
| 14. | Illinois | IL | N | | | | | | | 0 | 0 |
| 15. | Indiana | IN | N | | | | | | | 0 | 0 |
| 16. | Iowa | IA | N | | | | | | | 0 | 0 |
| 17. | Kansas | KS | N | | | | | | | 0 | 0 |
| 18. | Kentucky | KY | N | | | | | | | 0 | 0 |
| 19. | Louisiana | LA | N | | | | | | | 0 | 0 |
| 20. | Maine | ME | N | | | | | | | 0 | 0 |
| 21. | Maryland | MD | N | | | | | | | 0 | 0 |
| 22. | Massachusetts | MA | N | | | | | | | 0 | 0 |
| 23. | Michigan | MI | L | | 105,714,505 | 10,667,530 | | | | 116,382,035 | 0 |
| 24. | Minnesota | MN | N | | | | | | | 0 | 0 |
| 25. | Mississippi | MS | N | | | | | | | 0 | 0 |
| 26. | Missouri | MO | N | | | | | | | 0 | 0 |
| 27. | Montana | MT | N | | | | | | | 0 | 0 |
| 28. | Nebraska | NE | N | | | | | | | 0 | 0 |
| 29. | Nevada | NV | N | | | | | | | 0 | 0 |
| 30. | New Hampshire | NH | N | | | | | | | 0 | 0 |
| 31. | New Jersey | NJ | N | | | | | | | 0 | 0 |
| 32. | New Mexico | NM | N | | | | | | | 0 | 0 |
| 33. | New York | NY | N | | | | | | | 0 | 0 |
| 34. | North Carolina | NC | N | | | | | | | 0 | 0 |
| 35. | North Dakota | ND | N | | | | | | | 0 | 0 |
| 36. | Ohio | OH | N | | | | | | | 0 | 0 |
| 37. | Oklahoma | OK | N | | | | | | | 0 | 0 |
| 38. | Oregon | OR | N | | | | | | | 0 | 0 |
| 39. | Pennsylvania | PA | N | | | | | | | 0 | 0 |
| 40. | Rhode Island | RI | N | | | | | | | 0 | 0 |
| 41. | South Carolina | SC | N | | | | | | | 0 | 0 |
| 42. | South Dakota | SD | N | | | | | | | 0 | 0 |
| 43. | Tennessee | TN | N | | | | | | | 0 | 0 |
| 44. | Texas | TX | N | | | | | | | 0 | 0 |
| 45. | Utah | UT | N | | | | | | | 0 | 0 |
| 46. | Vermont | VT | N | | | | | | | 0 | 0 |
| 47. | Virginia | VA | N | | | | | | | 0 | 0 |
| 48. | Washington | WA | N | | | | | | | 0 | 0 |
| 49. | West Virginia | WV | N | | | | | | | 0 | 0 |
| 50. | Wisconsin | WI | N | | | | | | | 0 | 0 |
| 51. | Wyoming | WY | N | | | | | | | 0 | 0 |
| 52. | American Samoa | AS | N | | | | | | | 0 | 0 |
| 53. | Guam | GU | N | | | | | | | 0 | 0 |
| 54. | Puerto Rico | PR | N | | | | | | | 0 | 0 |
| 55. | U.S. Virgin Islands | VI | N | | | | | | | 0 | 0 |
| 56. | Northern Mariana Islands | MP | N | | | | | | | 0 | 0 |
| 57. | Canada | CAN | N | | | | | | | 0 | 0 |
| 58. | Aggregate other alien | OT | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 59. | Subtotal..... | | XXX | 0 | 105,714,505 | 10,667,530 | 0 | 0 | 0 | 116,382,035 | 0 |
| 60. | Reporting entity contributions for Employee Benefit Plans..... | | XXX | | | | | | | 0 | |
| 61. | Total (Direct Business) | (a) | 1 | 0 | 105,714,505 | 10,667,530 | 0 | 0 | 0 | 116,382,035 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | | | |
| 58001. | | | XXX | | | | | | | | |
| 58002. | | | XXX | | | | | | | | |
| 58003. | | | XXX | | | | | | | | |
| 58998. | Summary of remaining write-ins for Line 58 from overflow page..... | | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 58999. | Totals (Lines 58001 through 58003 plus 58998) (Line 58 above) | | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

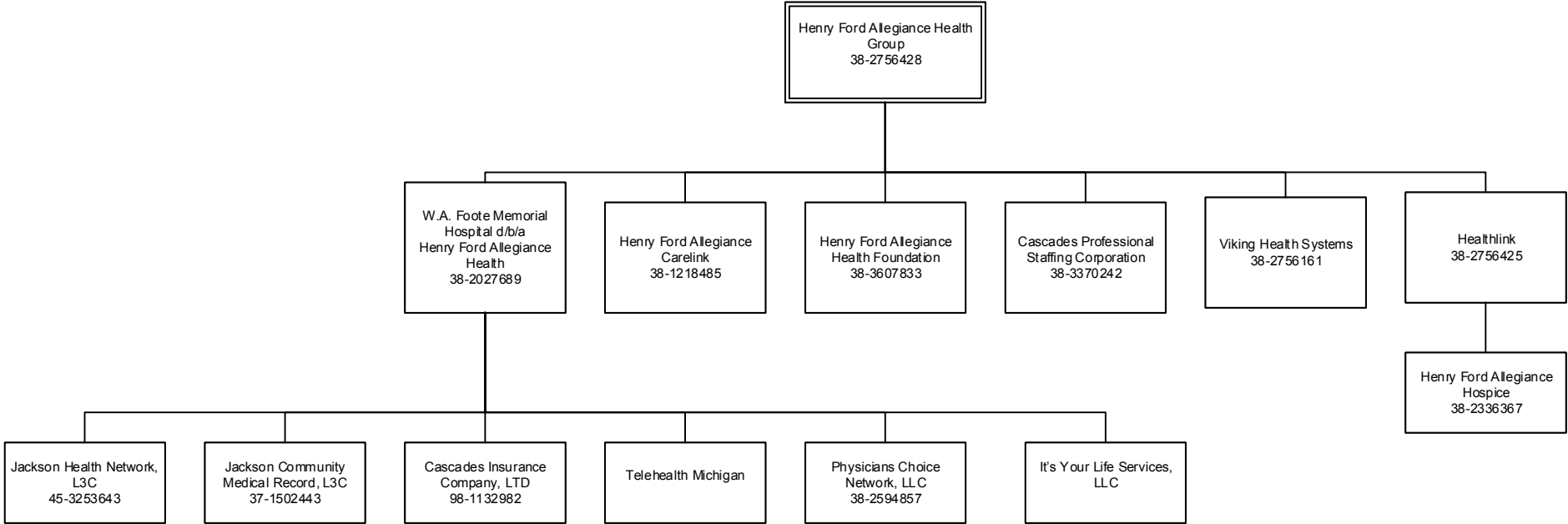
Explanation of basis of allocation by states, premiums by state, etc. Premiums are allocated to the states based upon the situs of the contract of the individual and employer group policyholders

(a) Insert the number of L responses except for Canada and other Alien.

ANNUAL STATEMENT AS OF DECEMBER 31, 2017 OF THE HAP Midwest Health Plan, Inc.
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



ANNUAL STATEMENT AS OF DECEMBER 31, 2017 OF THE HAP Midwest Health Plan, Inc.
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



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